

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
November 12, 2014
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Richard Fischer

Applicant: California Municipal Finance Authority

Allocation Amount Requested:
Tax-exempt: \$11,500,000

Project Information:
Name: East Cliff Village Apartments
Project Address: 1635 Tremont Drive
Project City, County, Zip Code: Unincorporated Santa Cruz, Santa Cruz, 95602

Project Sponsor Information:
Name: East Cliff VOA Affordable Housing, L.P. (East Cliff VOA Affordable Housing, LLC)
Principals: Michael King, Robin Keller, Deb Perry, David Bowman, Tom Turnbull and Patrick Sheridan
Property Management Company: Volunteers of America Northern California and Northern Nevada

Project Financing Information:
Bond Counsel: Quint & Thimmig LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Well Fargo Bank, N.A.
TEFRA Adoption Date: September 16, 2014

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 75, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Senior Citizens

East Cliff Village ("Property") is a 76-unit senior apartment property located at 1635 Tremont Drive in the Live Oak community of unincorporated Santa Cruz County. The Property consists of 1 residential building on a level 2.6 acre parcel that is rectangular in shape. There are no unusual features. The building was originally designed in 1985 to serve low and moderate income seniors. Fifty-six (56) of the units are 1 bedroom apartments and nineteen (19) are studios. There is one (1) 2 bedroom manager's unit. There is a community room with internet access, community kitchen, and well maintained grounds for resident's enjoyment. Unit Amenities include dishwasher, carpet, refrigerator, blinds, disposal, microwave and stove/oven. Common Amenities include on-site Manager, laundry facilities, surface parking for many but not all units.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
31% (23 units) restricted to 50% or less of area median income households.
69% (52 units) restricted to 60% or less of area median income households.
Unit Mix: Studio & 1 bedroom

No service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 23,220,369
Estimated Hard Costs per Unit: \$ 59,529 (\$4,464,645 /75 units)
Estimated per Unit Cost: \$ 309,605 (\$23,220,369 /75 units)
Allocation per Unit: \$ 153,333 (\$11,500,000 /75 units)
Allocation per Restricted Rental Unit: \$ 153,333 (\$11,500,000 /75 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 11,500,000	\$ 6,645,000
Seller Note, 4% 35 year Term	\$ 8,587,305	\$ 8,587,305
Developer Equity	\$ 701	\$ 701
LIH Tax Credit Equity	\$ 1,047,750	\$ 7,013,751
Acquired Reserves	\$ 463,487	\$ 463,487
Other: Construction Period Income	\$ 510,125	\$ 510,125
Total Sources	\$ 22,109,368	\$ 23,220,369

Uses of Funds:	
Acquisition/Land Purchase	\$ 13,000,000
On & Off Site Costs	\$ 76,000
Hard Construction Costs	\$ 4,388,645
Architect & Engineering Fees	\$ 271,786
Contractor Overhead & Profit	\$ 361,244
Developer Fee	\$ 2,452,123
Relocation	\$ 155,500
Cost of Issuance	\$ 250,588
Capitalized Interest	\$ 478,444
Other Soft Costs (Marketing, etc.)	\$ 1,786,039
Total Uses	\$ 23,220,369

Description of Financial Structure and Bond Issuance:

The bonds will be issued by the California Municipal Finance Authority, Well Fargo Bank, N.A. will be privately placing the bonds. Construction period bonds of \$4,855,000 set at Twenty-four (24) months from closing or payment of the final equity installment. The interest rate will be variable, based on 30-day LIBOR plus 165 bps (1.65%). The rate will be reset on the first day of each month. Interest will be payable monthly, computed on the actual days elapsed in a 360-day year. As of September 9, 2014 the 30-day LIBOR is 0.15%. Accordingly, the indicative "all in" rate as of September 9, 2014 is 1.80%. This rate is an indicative rate, as if the loan were to close today. Up to and until construction Loan closing Lender reserves the right to adjust the spread over the 30-day LIBOR rate to reflect market conditions, including the Bank's cost of funds. A Loan Interest Reserve will be required. Computation of interest on the Short Term Bonds shall be calculated on an actual/actual basis. \$6,645,000 Permanent Loan shall have a fixed rate as determined by Wells Fargo Multifamily Capital. As of September 9, 2014, the current indicative rate is 4.25% for an 18- year term facility and does not include Issuer, Trustee or any other miscellaneous third-party fees. The fixed rate is subject to change and the calculated rate will vary until the rate is locked prior to close. Permanent Loan rate to be locked no earlier than 72 hours before closing, and evidenced in the loan documents. Computation of interest during the Permanent Loan Period shall be calculated on a 30/360 basis.

Analyst Comments:

Not Applicable

Legal Questionnaire:

The Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the application. No information was disclosed to question the financial viability or legal integrity of the Applicant.

Total Points: 55.6 out of 130
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$11,500,000 in tax exempt bond allocation.

ATTACHMENT A

EVALUATION SCORING:

Point Criteria	Maximum Points Allowed for Non-Mixed Income Projects	Maximum Points Allowed for Mixed Income Projects	Points Scored
Federally Assisted At-Risk Project or HOPE VI Project	20	20	0
Exceeding Minimum Income Restrictions:	35	15	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project]	[10]	[10]	5.6
Gross Rents	5	5	5
Large Family Units	5	5	0
Leveraging	10	10	0
Community Revitalization Area	15	15	0
Site Amenities	10	10	10
Service Amenities	10	10	0
New Construction	10	10	0
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
Total Points	130	100	55.6

The criteria for which points are awarded will also be incorporated into the Resolution transferring Allocation to the Applicant as well as the appropriate bond documents and loan and finance agreements.