Agenda Item No. 7.1
Application No. 15-362

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 15, 2015
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Brian Clark

Applicant:	California Municipal Finance Authority
Allocation Amount Requested:	
Tax-exempt:	$6,500,000
Project Information:	
Name:	**Terracina Oaks II Apartments**
Project Address:	1276 Oak Avenue
Project City, County, Zip Code:	Greenfield, Monterey, 93927
Project Sponsor Information:	
Name:	Greenfield Pacific Associates II, LP (W R Spann, LLC and PacH Sac-Midtown Holdings, LLC)
Principals:	William R. Spann for W R Spann, LLC; Mark A. Wiese, Matt Jaime and Scott Sadler for PacH Sac-Midtown Holdings, LLC
Property Management Company:	Buckingham Property Management
Project Financing Information:	
Bond Counsel:	Orrick, Herrington & Sutcliffe LLP
Underwriter:	Not Applicable
Credit Enhancement Provider:	Not Applicable
Private Placement Purchaser:	U.S. Bank, NA
TEFRA Adoption Date:	June 9, 2015
Description of Proposed Project:	
State Ceiling Pool:	Rural
Total Number of Units:	47, plus 1 manager unit
Type:	New Construction
Type of Units:	Family

The Project, which will be located in Greenfield, is the second of a planned two-phase development and will be constructed on an approximately 2.89 acre parcel adjacent to Terracina Oaks I Apartments. The Project, consisting of 6 residential buildings, a laundry facility and 112 covered parking spaces; will house 47 tenant units (24 two-bedroom units and 23 three-bedroom units) and a single manager's unit. All units will be income restricted: 39 units at 50% Area Median Income ("AMI") and 8 units at 60% AMI. Unit amenities will include carpeting, blinds, refrigerator, exhaust fan, dishwasher, disposal, range, coat closet, washer/dryer hookups, central heat/AC and a patio/balcony with storage space. Existing site amenities include a playground, laundry facility (an additional playground and laundry will be constructed on the Phase II site), a pool, BBQ/picnic area and a community building containing offices, maintenance room, community room with kitchen, computer learning center and an exercise room. Construction is expected to begin in October 2015 and be completed in October 2016.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

83% (39 units) restricted to 50% or less of area median income households.

17% (8 units) restricted to 60% or less of area median income households.

Unit Mix: 2 & 3 bedrooms

There are no service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	$	11,499,809	
Estimated Hard Costs per Unit:	$	134,437	($6,318,542 /47 units)
Estimated per Unit Cost:	$	244,677	($11,499,809 /47 units)
Allocation per Unit:	$	138,298	($6,500,000 /47 units)
Allocation per Restricted Rental Unit:	$	138,298	($6,500,000 /47 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	$ 6,500,000	$ 0
Taxable Bond Proceeds	$ 0	$ 2,400,000
Deferred Developer Fee	$ 1,200,000	$ 279,000
LIH Tax Credit Equity	$ 582,195	$ 4,320,809
Direct & Indirect Public Funds	$ 3,000,000	$ 4,500,000
Deferred Costs	$ 217,614	$ 0
Total Sources	$ 11,499,809	$ 11,499,809

Uses of Funds:	
Acquisition/Land Purchase	$ 780,000
On & Off Site Costs	$ 1,344,000
Hard Construction Costs	$ 4,974,542
Architect & Engineering Fees	$ 505,000
Contractor Overhead & Profit	$ 452,343
Developer Fee	$ 1,200,000
Local Tap, Building Permit & Impact Fees	$ 1,017,106
Cost of Issuance	$ 323,679
Construction and Permanent Financing	$ 130,000
Reserves	$ 217,614
Legal Fees	$ 50,000
Other Soft Costs (Third Party Reports, Furnishings, Marketing, etc.)	$ 505,525
Total Uses	$ 11,499,809

Description of Financial Structure and Bond Issuance:

The bonds will be purchased as a private placement transaction by U.S. Bank, NA and will be used to fund a tax-exempt construction loan. The construction phase will be for a period of 18 months, during which the construction loan will bear interest at a monthly variable rate equal to one-month LIBOR plus 225 basis points. Upon conversion to permanent phase, a combination of LIHTC equity and the proceeds from a $4,500,000 HOME loan and a $2,400,000 USDA 538 loan will be utilized to pay off the tax-exempt bond debt. The HOME loan will close with the tax-exempt construction loan and will have a 55 year term and amortization period; with repayment from residual receipts at an annual interest rate of 3.00%. The USDA 538 loan, provided by Bonneville Mortgage Company, will be permanent phase taxable debt that will bear interest at a fixed rate estimated at 5.50% (negotiated Note Rate plus 50 basis points). The USDA 538 loan will have a 40 year term and amortization period. There will be no permanent phase tax-exempt debt.

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: 70 out of 130

[See Attachment A**]**

Recommendation:

Staff recommends that the Committee approve $6,500,000 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]	0
Gross Rents	5	5	5
Large Family Units	5	5	5
Leveraging	10	10	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	5
Service Amenities	10	10	0
New Construction	10	10	10
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
Total Points	**130**	**100**	**70**

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.