

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 18, 2016
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: \$16,112,000

Project Information:
Name: Corona Ranch - Washington Creek Apartments
Project Address: 990 Ely Road and 909 Martin Circle
Project City, County, Zip Code: Petaluma, Sonoma, 94954

Project Sponsor Information:
Name: CRWC, LP (CRWC, LLC)
Principals: John Gaffney, Timothy Silva, Janet Lockhart, Jim Kennedy and Linda Mandolini for CRWC, LLC.
Property Management Company: Eden Housing Management, Inc.

Project Financing Information:
Bond Counsel: Jones Hall, A Professional Law Corporation
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, NA
TEFRA Noticing Date: September 17, 2015
TEFRA Adoption Date: October 5, 2015

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 104, plus 2 manager units
Type: Acquisition and Rehabilitation
Type of Units: Family

The proposed scattered-site Project is comprised of two properties located in Petaluma. Corona Ranch Apartments, constructed in 1994 on a 4.14 acre parcel, is comprised of 8 residential buildings, a community building and a maintenance building. Corona Ranch contains 73 tenant units (32 two-bedroom units, 31 three bedroom units and 10 four-bedroom units) and a single three-bedroom manager's unit. Corona Ranch site amenities include a playground, basketball court and on-site management. Washington Creek Apartments, constructed in 1991 on a 1.7 acre parcel, is comprised of 3 residential buildings, a community building and a management office building. Washington Creek contains 31 tenant units (16 two-bedroom units and 15 three-bedroom units) and a single three-bedroom manager's unit. Washington Creek site amenities include a playground, security patrol and on-site management. Unit amenities at both locations include forced air heat, carpeting, blinds, clothes washer and dryer, stove/oven, refrigerator, dishwasher and garbage disposal. Renovations at both locations will include roofing repair/replacement; repair of water intrusion damage; new windows; updating of mechanical, electrical, and plumbing systems; ADA compliance; parking lot sealing and striping; building code compliance; improvements to common areas; improvements to unit interiors; and energy and water efficiency improvements. Rehabilitation is anticipated to start in July 2016 and be completed in September 2017.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

45% (47 units) restricted to 50% or less of area median income households.
 55% (57 units) restricted to 60% or less of area median income households.

Unit Mix: 2, 3 & 4 bedrooms

The proposed project will not be providing service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 26,493,995	
Estimated Hard Costs per Unit:	\$ 60,481	(\$6,290,000 /104 units)
Estimated per Unit Cost:	\$ 254,750	(\$26,493,995 /104 units)
Allocation per Unit:	\$ 154,923	(\$16,112,000 /104 units)
Allocation per Restricted Rental Unit:	\$ 154,923	(\$16,112,000 /104 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 16,112,000	\$ 2,452,000
Assumed HCD RHCP Loans (CR)	\$ 6,346,818	\$ 6,346,818
Assumed City of Petaluma Loan (WC)	\$ 564,800	\$ 564,800
Citibank AHCP Loan	\$ 0	\$ 159,000
Eden Housing Loan	\$ 0	\$ 3,300,000
Seller Carryback Loan	\$ 193,602	\$ 193,602
LIH Tax Credit Equity	\$ 531,108	\$ 10,559,300
GP Equity	\$ 0	\$ 1,789,246
Accrued/Deferred Interest	\$ 193,144	\$ 193,144
Existing Replacement Reserves	\$ 299,479	\$ 0
Operating Income	\$ 0	\$ 400,140
Existing Operating Reserves	\$ 239,767	\$ 0
Deferred Developer Fee	\$ 0	\$ 468,445
Photovoltaic Credits	\$ 0	\$ 67,500
Deferred Costs	\$ 2,013,277	\$ 0
Total Sources	\$ 26,493,995	\$ 26,493,995

Uses of Funds:	
Land Cost/Acquisition	\$ 11,083,349
Rehabilitation	\$ 7,295,142
Relocation	\$ 210,000
Architectural Fees	\$ 546,000
Survey & Engineering Fees	\$ 200,000
Construction Interest & Fees	\$ 1,188,403
Permanent Financing Costs	\$ 64,160
Legal Fees	\$ 90,000
Reserves	\$ 591,445
Appraisal	\$ 7,500
Contingency	\$ 1,068,254
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 1,048,505
Developer Costs	\$ 3,101,237
Total Uses	\$ 26,493,995

Description of Financial Structure and Bond Issuance:

The bonds will be purchased in a private placement transaction by Citibank, NA. During the construction financing phase the loan term will be for 20 months with a variable interest rate equal to the sum of the 1-month LIBOR index, plus a spread of 1.75%, for an all in rate of 2.19%. During the permanent financing phase, the loan term will be for 32 years with an amortization period of 15 years at a fixed rate equal to the sum of the 17-year LIBOR swap rates, plus a spread of 2.00%, for a current indicated rate of 3.97%.

Analyst Comments:

None

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: 85 out of 140

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$16,112,000 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
Preservation Project	20	20	10
Exceeding Minimum Income Restrictions:	35	15	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	0
Gross Rents	5	5	5
Large Family Units	5	5	5
Leveraging	10	10	10
Community Revitalization Area	5	5	0
Site Amenities	10	10	10
Service Amenities	10	10	0
New Construction or Substantial Renovation	10	10	10
Sustainable Building Methods	10	10	0
Forgone Eligible Developer Fee (Competitive Allocation Process Only)	10	10	0
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	0
Negative Points (No Maximum)	-10	-10	0
Total Points	140	110	85

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.