

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: Devon King

Applicant: California Municipal Finance Authority

Allocation Amount Requested:
Tax-exempt: \$92,500,000

Project Information:
Name: Pierce Park Apartments
Project Address: 12700 Van Nuys Blvd & 12601 Pierce Street
Project City, County, Zip Code: Pacoima, Los Angeles, 91331

Project Sponsor Information:
Name: Pierce Park Apartment Associates, L.P. (Pierce Park Co-GP, LLC and AOF Pierce Park, LLC)
Principals: Gary C. Grant for Pierce Park Co-GP; Kathy Walker, Phillip Kennedy, and Steve Jones for AOF Pierce Park, LLC.
Property Management Company: Sage Apartment Communities, Inc.

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe, LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: JLL Capital Markets
TEFRA Noticing Date: March 29, 2016
TEFRA Adoption Date: April 13, 2016

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 426, plus 4 manager units
Type: Acquisition and Rehabilitation
Type of Units: Family

Pierce Park Apartments is a 430-unit acquisition/rehabilitation property. The property is an existing apartment project that is currently occupied. Upon completion, all rental units will be income restricted. 43 units will be restricted at 50% Area Median Income (AMI) and 383 units will be restricted at 60% AMI. There will be 4 manager units. The target population for the project will be families. The buildings are wood frame on concrete slab, stucco exterior walls and pitched roofs. The Project does not have elevators. The development amenities will include a clubhouse, playground, basketball court, business center, security patrol, perimeter fence, on-site management and laundry room. The project will include units with amenities including air conditioning, oven/range, refrigerator/freezer and garbage disposal. The planned renovation includes some of the following improvements; remove popcorn ceilings, paint units 1 color, remove and replace all interior doors with hollow core doors, remove and replace all sliding closet doors with mirrored doors, install all new baseboard throughout the units, install new window blinds, remove all flooring, replace with vinyl in the kitchens, entryway and hallways, install carpet in the bedroom, laminate counter tops in the kitchen and bathrooms, replace all surface mounted light fixtures, install new heat lamps in the bathrooms, provide new angle stops in the kitchen and bathrooms, install a new stainless double bowl sink in the kitchen, install new drop in sinks in the bathrooms, install new kitchen and bathroom faucets, replace all wall ac units, remove and paint all wall heater surrounds, reinstall appliances, install new Energy Star appliances in each unit, replace all windows with vinyl dual pane windows, full exterior paint on all buildings, grind down trip hazards throughout the property. Closing is scheduled for June, 2016 with rehabilitation to commence shortly thereafter.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
10% (43 units) restricted to 50% or less of area median income households.
90% (383 units) restricted to 60% or less of area median income households.
Unit Mix: 1, 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:	\$	163,491,476	
Estimated Hard Costs per Unit:	\$	57,054	(\$24,305,046 /426 units)
Estimated per Unit Cost:	\$	383,783	(\$163,491,476 /426 units)
Allocation per Unit:	\$	217,136	(\$92,500,000 /426 units)
Allocation per Restricted Rental Unit:	\$	217,136	(\$92,500,000 /426 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 92,500,000	\$ 92,500,000
Operating Income	\$ 5,150,585	\$ 5,150,585
LIH Tax Credit Equity	\$ 48,295,354	\$ 53,038,207
Deferred Developer Fee	\$ 17,545,537	\$ 12,802,684
Total Sources	\$ 163,491,476	\$ 163,491,476

Uses of Funds:	
Land Cost/Acquisition	\$ 98,000,000
Rehabilitation	\$ 27,164,117
Relocation	\$ 1,040,500
Architectural Costs	\$ 75,000
Survey & Engineering	\$ 50,000
Construction Financing	\$ 7,285,229
Permanent Financing	\$ 718,750
Legal Fees	\$ 120,000
Reserves	\$ 6,805,126
Contingency Costs	\$ 2,794,815
Appraisal	\$ 10,000
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 927,939
Developer Costs	\$ 18,500,000
Total Uses	\$ 163,491,476

Description of Financial Structure and Bond Issuance:

The proposed financial structure will be a private placement transaction provided by JLL Capital Markets via the Freddie Mac Immediate Moderate Rehabilitation Tax Exempt Program. The TEL program is an immediate funding permanent loan that has certain carve outs for the 24 month construction period, but otherwise the loan will be provided during the course of the renovation with a loan term will be for 17 years with an amortization period of 35 years at a variable rate equal to a 10 year treasury plus a Freddie Mac spread of 2.06% for an all-in rate 3.79%.

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: 75 out of 140
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$92,500,000 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
Preservation Project	20	20	20
Exceeding Minimum Income Restrictions:	35	15	25
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	0
Community Revitalization Area	5	5	0
Site Amenities	10	10	10
Service Amenities	10	10	0
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	75

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.