

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 20, 2016
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Sarah Lester

Applicant: California Statewide Communities Development Authority

Allocation Amount Requested: Tax-exempt: \$12,000,000

Project Information:

Name: El Cazador Apartments
Project Address: 4851 North Cedar Avenue
Project City, County, Zip Code: Fresno, Fresno, 93726

Project Sponsor Information:

Name: El Cazador, LP (AHA SJV MGP, LLC and El Cazador Management, LLC)
Principals: Bill Hirsch and Jonathan Web for AHA SJV MGP, LLC; Ryan Fuson and Jeff Green for El Cazador Management, LLC
Property Management Company: U.S. Residential Group

Project Financing Information:

Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, N.A.
TEFRA Noticing Date: April 27, 2016
TEFRA Adoption Date: May 12, 2016

Description of Proposed Project:

State Ceiling Pool: General
Total Number of Units: 99, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family/Federally Assisted At-Risk

The proposed project is an existing development located in the City and County of Fresno. It consist of five two-story garden style residential buildings containing 100 one, two, and three bedroom units. There is also one one-story leasing office and three one-story laundry room/boiler room buildings. The first residential building consist of eight units, second building -thirty six units, third building - eight units, fourth building - 20 units and the fifth building consist of 28 residual units. The buildings were built in 1969 and are wood frame construction with a combination of wood trim around windows, and stucco siding on concrete slab foundation. All units are flats with no elevators. The scope of the rehabilitation will consist of the replacement of HVAC and water heaters with energy star equipment and the interior lighting will be upgraded to LED to increase the overall energy rating. The current leasing office will be upgraded to include a community room, library and exercise room for resident enjoyment. The rehab work will consist of exterior painting, HVAC system replacement, upgraded plumbing system and irrigation system, landscape, security cameras, asphalt and concrete work and ADA upgrades. This rehab project is being completed in one phase and will consist of no parcel subdivisions or parcel mergering. There are no off-site improvements intend to be completed during the rehab process.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
11% (11 units) restricted to 50% or less of area median income households.
89% (88 units) restricted to 60% or less of area median income households.
Unit Mix: 1, 2 & 3 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: | \$ | 15,227,432 | |
| Estimated Hard Costs per Unit: | \$ | 23,061 | (\$2,283,000 /99 units) |
| Estimated per Unit Cost: | \$ | 153,812 | (\$15,227,432 /99 units) |
| Allocation per Unit: | \$ | 121,212 | (\$12,000,000 /99 units) |
| Allocation per Restricted Rental Unit: | \$ | 121,212 | (\$12,000,000 /99 restricted units) |

| Sources of Funds: | <u>Construction</u> | <u>Permanent</u> |
|----------------------------|----------------------|----------------------|
| Tax-Exempt Bond Proceeds | \$ 12,000,000 | \$ 9,572,000 |
| Deferred Developer Fee | \$ 0 | \$ 525,242 |
| LIH Tax Credit Equity | \$ 2,934,587 | \$ 4,837,345 |
| Net Income From Operations | \$ 292,845 | \$ 292,845 |
| Total Sources | \$ 15,227,432 | \$ 15,227,432 |

| Uses of Funds: | |
|---|----------------------|
| Land Cost/Acquisition | \$ 8,950,000 |
| Rehabilitation | \$ 2,732,751 |
| Relocation | \$ 50,000 |
| Architectural Fees | \$ 100,000 |
| Survey and Engineering | \$ 65,466 |
| Construction Interest and Fees | \$ 350,010 |
| Permanent Financing | \$ 190,980 |
| Legal Fees | \$ 245,000 |
| Reserves | \$ 234,528 |
| Appraisal | \$ 7,500 |
| Contingency Cost | \$ 273,275 |
| Other Project Costs (Soft Costs, Marketing, etc.) | \$ 213,521 |
| Developer Costs | \$ 1,814,401 |
| Total Uses | \$ 15,227,432 |

Description of Financial Structure and Bond Issuance:

The financial structure for the proposed project will be a private placement transaction provided by Citibank, N.A. for both construction and permanent financing. During the construction period the loan term will be for 24 months with a fixed interest rate of 2.66% with interest only payments. During the permanent financing period, the loan term will be for 17 years with an amortization period of 35 years. The interest rate will be a fixed rate of 4.25%. HUD will be providing a project based Section 8 contract on 64 of the 100 units for a 20-year term. Besides these features, there will be no other special or unusual financing features that pertain to project. The bonds will be issued by the California Statewide Communities Development Authority.

Analyst Comments:

The proposed project is a Preservation projection that is subject to a Residential Rental Agreement (Section 8 vouchers for 64 of the 99 units).

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: 50 out of 140
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$12,000,000 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 | 0 |
| Leveraging | 10 | 10 | 0 |
| Community Revitalization Area | 5 | 5 | 0 |
| Site Amenities | 10 | 10 | 0 |
| Service Amenities | 10 | 10 | 0 |
| New Construction or Substantial Renovation | 10 | 10 | 0 |
| 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 | 50 |

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.