

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: Devon King

Applicant: Golden State Finance Authority

Allocation Amount Requested:
Tax-exempt: \$5,320,000

Project Information:
Name: San Vicente Townhomes Apartments
Project Address: 250 San Vicente Road
Project City, County, Zip Code: Soledad , Monterey, 93960

Project Sponsor Information:
Name: San Vincente Soledad AR, L.P. (CHBA Affordable VI, LLC and HCHP Affordable Multi-Family, LLC)
Principals: Graham Espley-Jones, Sandy Gibbons, and Leanne Troufreh for CHBA Affordable VI, LLC; Michael A. Costa, Robert W. Tetrault, Thomas E. Erickson and Judy Dossen for HCHP Affordable Multi-Family, LLC
Property Management Company: WinnResidential California, L.P.

Project Financing Information:
Bond Counsel: Kutak Rock LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: America First Multifamily Investors, L.P.
TEFRA Noticing Date: May 16, 2016
TEFRA Adoption Date: June 7, 2016

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 49, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

The site for San Vicente Townhomes is located at 250 San Vicente Road in Soledad, Monterey County, CA. The development is a 50-unit, multi-family rental community built in 1997. The wood-framed, slab-on-grade construction consists of 8 two-bedroom/one-bath units, 28 three-bedroom/ one and three quarter-bath units and 13 four-bedroom/one and three quarter-bath units which are restricted to low income large family households earning 50% and 60% of the area median income. All units feature the following: a range, refrigerator, exterior storage, ceiling fans, washer/dryer hookups (3 and 4 bedrooms only), and carpet and vinyl flooring. All common areas are professionally planned and decorated. Project amenities include the following: clubhouse/meeting room, computer room, central laundry, barbecue/picnic area, basketball court, and playground. The community will be redeveloped in one phase. The anticipated rehabilitation is slated to begin in the fourth quarter of 2016 with completion slated for approximately the first quarter of 2017. The following items are scheduled to be done as part of the rehabilitation: Add blown fiberglass to achieve R-49, replace existing water heaters with new energy efficient model, replace lighting for increased energy efficiency, asphalt overlay and striping, replace roof, termite and dry rot remediation, remove and replace interior hand rails at stairways, mobility and communication modifications, landscape design/irrigation modification/upgrades.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
49% (24 units) restricted to 50% or less of area median income households.
51% (25 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:	\$	8,258,075	
Estimated Hard Costs per Unit:	\$	25,978	(\$1,272,902 /49 units)
Estimated per Unit Cost:	\$	168,532	(\$8,258,075 /49 units)
Allocation per Unit:	\$	108,571	(\$5,320,000 /49 units)
Allocation per Restricted Rental Unit:	\$	108,571	(\$5,320,000 /49 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 5,320,000	\$ 2,237,009
LIH Tax Credit Equity	\$ 150,808	\$ 3,416,474
HCHP Developer Note	\$ 0	\$ 884,392
Deferred Costs	\$ 1,067,067	\$ 0
Seller Carryback Loan	\$ 1,592,925	\$ 1,592,925
Net Income From Operations	\$ 127,276	\$ 127,276
Total Sources	\$ 8,258,076	\$ 8,258,076

Uses of Funds:	
Land Cost/Acquisition	\$ 5,100,000
Rehabilitation	\$ 1,425,651
Contractor Overhead	\$ 25,458
Architectural Fees	\$ 15,000
Survey and Engineering	\$ 33,800
Construction Interest and Fees	\$ 294,361
Permanent Financing	\$ 77,361
Legal Fees	\$ 137,500
Reserves	\$ 126,127
Contingency Cost	\$ 10,000
Local Development Impact Fees	\$ 5,000
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 76,879
Developer Costs	\$ 930,939
Total Uses	\$ 8,258,076

Description of Financial Structure and Bond Issuance:

The proposed financial structure will be a private placement transaction provided by America First Multifamily Investors, L.P. The bonds for both the construction and permanent phase will be divided into two tranches, the A bonds and B bonds. The bonds will have a construction period of 2 years with an interest only payment. For the permanent phase the A bonds will have a 35 year term with a 35 year amortization period. The A bonds will carry over from construction-to-perm and will carry a fixed rate of interest which was 5.25% at the submittal of this application but will be locked at closing. The B bonds will be paid off at conversion and carry a fixed rate of interest which was 5.5% at the submittal of this application but will be locked at closing.

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: 49.7 out of 140
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$5,320,000 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	0
Exceeding Minimum Income Restrictions:	35	15	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	4.7
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	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	120	49.7

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.