

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: Louise Eller

| | |
|-------------------|---------------------------------------|
| Applicant: | Golden State Finance Authority |
|-------------------|---------------------------------------|

| | |
|-------------------------------------|--------------------------------|
| Allocation Amount Requested: | Tax-exempt: \$4,804,000 |
|-------------------------------------|--------------------------------|

| | |
|-----------------------------|--|
| Project Information: | Name: Village at Madera Apartments |
| | Project Address: 501 Monterey Street |
| | Project City, County, Zip Code: Madera, Madera, 93637 |

| | |
|-------------------------------------|---|
| Project Sponsor Information: | Name: Village Madera AR, L.P. (WCH Affordable XI, LLC & HCHP Affordable Multi-Family, LLC) |
| | Principals: Graham Espley-Jones, Sandy Gibbons and Leanne Troufreh for WCH Affordable XI, 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 Tax Exempt Investors, L.P. |
| | TEFRA Noticing Date: May 14, 2016 |
| | TEFRA Adoption Date: June 7, 2016 |

| | |
|---|---|
| Description of Proposed Project: | State Ceiling Pool: General |
| | Total Number of Units: 74, plus 1 manager unit |
| | Type: Acquisition and Rehabilitation |
| | Type of Units: Family |

Village at Madera Apartments is an existing project located in Madera, on a 5.33 acre site. The project consists of 74 restricted rental units and 1 managers' unit. The project has 14 two-bedroom units, 52 three-bedroom units and 8 four-bedroom units. The project is irregularly shaped and generally level. All units feature a range, dishwasher, refrigerator, garbage disposal, walk-in closets, washer/dryer hookups, central A/C, carpet and vinyl flooring. The scope of the rehabilitation will include replacing water heaters with high energy efficient models, conduct refrigerant charge verification, repaint fence and balcony rails and exterior envelope of all buildings, repair existing fence, turf removal/irrigation modification/upgrades, mobility/communication upgrades, pest control inspection and repair, and parking lot repairs. Certain items will be replaced, such as refrigerators, ranges, dishwashers and roofing. The construction is expected to begin in the fourth quarter of 2016 and complete the first quarter of 2017.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (74 units) restricted to 50% 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: | \$ | 7,493,669 | |
| Estimated Hard Costs per Unit: | \$ | 15,203 | (\$1,125,000 /74 units) |
| Estimated per Unit Cost: | \$ | 101,266 | (\$7,493,669 /74 units) |
| Allocation per Unit: | \$ | 64,919 | (\$4,804,000 /74 units) |
| Allocation per Restricted Rental Unit: | \$ | 64,919 | (\$4,804,000 /74 restricted units) |

| Sources of Funds: | Construction | Permanent |
|--------------------------|---------------------|---------------------|
| Tax-Exempt Bond Proceeds | \$ 4,804,000 | \$ 3,088,875 |
| GSFA Loan | \$ 350,000 | \$ 350,000 |
| LIH Tax Credit Equity | \$ 229,651 | \$ 2,103,991 |
| HCHP Developer Note | \$ 0 | \$ 798,437 |
| Deferred Costs | \$ 957,652 | \$ 0 |
| Seller Carryback Loan | \$ 1,152,366 | \$ 1,152,366 |
| Total Sources | \$ 7,493,669 | \$ 7,493,669 |

| Uses of Funds: | |
|---|---------------------|
| Land Cost/Acquisition | \$ 4,560,000 |
| Rehabilitation | \$ 1,215,000 |
| Contractor Overhead | \$ 67,500 |
| Architectural Fees | \$ 30,975 |
| Survey and Engineering | \$ 37,300 |
| Construction Interest and Fees | \$ 250,055 |
| Permanent Financing | \$ 80,493 |
| Legal Fees | \$ 137,500 |
| Reserves | \$ 128,204 |
| Contingency Cost | \$ 69,625 |
| Local Development Impact Fees | \$ 3,450 |
| Other Project Costs (Soft Costs, Marketing, etc.) | \$ 73,107 |
| Developer Costs | \$ 840,460 |
| Total Uses | \$ 7,493,669 |

Description of Financial Structure and Bond Issuance:

The bonds will be purchased in a private placement transaction by America First Tax Exempt Investors, L.P. During the construction phase, the bonds will consist of an A Bond (\$3,088,875) with a fixed interest rate of 5.25% and a B Bond (\$1,715,125) with a fixed interest rate of 5.50%. The B Bonds will be paid off at conversion. The construction loan term will be 24 months. During the permanent financing phase, the loan term will be for 35 years with an amortization period of 35 years at a fixed rate of 5.25%.

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: | 54.8 out of 140 |
| [See Attachment A] | |

Recommendation:

Staff recommends that the Committee approve \$4,804,000 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] | 9.8 |
| 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 | 54.8 |

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.