

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: Golden State Finance Authority

Allocation Amount Requested: Tax-exempt: \$3,465,000

Project Information:

Name: Las Palmas II Apartments
Project Address: 51075 Frederick Street
Project City, County, Zip Code: Coachella, Riverside, 92236

Project Sponsor Information:

Name: Las Palmas Coachella AR, LP(WCH Affordable XI, LLC and 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: ConAm Management Corporation

Project Financing Information:

Bond Counsel: Kutak Rock LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: America First Tax Exempt Investors, LP
TEFRA Noticing Date: March 7, 2015
TEFRA Adoption Date: June 21, 2016

Description of Proposed Project:

State Ceiling Pool: General
Total Number of Units: 80, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

The proposed project is an existing development located in the city of Coachella in the county of Riverside. It is situated on approximately 6.13 gross acres. The development is an 81-unit, multi-family rental community developed in 1999. The wood-framed, slab-on-grade construction consists of 16 two-bedroom/two-bath units, 33 three-bedroom/two-bath units, and 32 four-bedroom/two-bath units which are restricted to low income large family households earning 40% of the area median income. Las Palmas II offers 184 total parking spaces including 82 carports. The overall parking ratio is approximately 2.27 spaces per unit. The scope of the rehabilitation will consist of replacing existing water heaters with new energy efficient model; Add blown fiberglass to achieve R-44; Install faucet aerators and low flow shower heads; Replace refrigerators with new Energy Star model; Interior/exterior lighting upgrades; Replace HVAC condensers; Paint exterior of all buildings/railings and metal fencing; Parking lot repair; Install trash enclosure aprons; Concrete repairs; Replaced front door of community room; Mobility/communication upgrades (includes relocation costs, if any); Turf removal/irrigation modification/upgrades; and Pest control inspection and repair. The anticipated rehabilitation is slated to begin in the fourth quarter of 2016 with completion slated for approximately the first quarter of 2017.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (80 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:	\$ 7,066,342	
Estimated Hard Costs per Unit:	\$ 15,188	(\$1,215,000 /80 units)
Estimated per Unit Cost:	\$ 88,329	(\$7,066,342 /80 units)
Allocation per Unit:	\$ 43,313	(\$3,465,000 /80 units)
Allocation per Restricted Rental Unit:	\$ 43,313	(\$3,465,000 /80 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 3,465,000	\$ 1,694,833
GSFA Loan	\$ 350,000	\$ 350,000
LIH Tax Credit Equity	\$ 124,961	\$ 2,045,470
Deferred Costs	\$ 919,134	\$ 768,791
Seller Carryback Loan	\$ 2,143,977	\$ 2,143,977
Net Income From Operations	\$ 63,271	\$ 63,271
Total Sources	\$ 7,066,343	\$ 7,066,342

Uses of Funds:	
Land Cost/Acquisition	\$ 4,080,000
Rehabilitation	\$ 1,312,200
Contractor Overhead	\$ 72,900
Architectural Fees	\$ 28,078
Survey and Engineering	\$ 38,100
Construction Interest and Fees	\$ 200,437
Permanent Financing	\$ 108,748
Legal Fees	\$ 137,500
Reserves	\$ 120,111
Contingency Cost	\$ 74,395
Local Development Impact Fees	\$ 5,000
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 79,619
Developer Costs	\$ 809,254
Total Uses	\$ 7,066,342

Description of Financial Structure and Bond Issuance:

The financial structure for the proposed project will be a private placement transaction provided by America First Tax Exempt Investors, LP for both construction and permanent financing. During the construction financing phase the loan will be in the amount of \$1,694,833 (Senior Bonds - Series A) with a loan term of 24 months with a fixed interest rate of 5.25%. During the permanent financing phase, the loan will be in the amount of \$1,770,167 (Subordinate Bonds - Series B). The loan term and amortization period will both be for 35 years at a fixed rate of 5.5%. The bonds will be issued by the Golden State Finance Authority.

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: 55 out of 140

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$3,465,000 in tax exempt bond allocation on a carryforward basis.

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]	10
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	55

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.