

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**September 21, 2016**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Richard Fischer*

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| <b>Applicant:</b> | <b>Golden State Finance Authority</b> |
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| <b>Allocation Amount Requested:</b> | <b>Tax-exempt:</b> \$18,949,000 |
|-------------------------------------|---------------------------------|

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|-----------------------------|---|
| <b>Project Information:</b> | <b>Name:</b> Seasons Senior Apartments                                    |
|                             | <b>Project Address:</b> 31641 Rancho Viejo Road                           |
|                             | <b>Project City, County, Zip Code:</b> San Juan Capistrano, Orange, 92675 |

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|-------------------------------------|--|
| <b>Project Sponsor Information:</b> | <b>Name:</b> Seasons San Juan Capistrano AR, L.P. (LINC-Gardena Associates, LLC and HCHP Affordable Multi-Family, LLC)   |
|                                     | <b>Principals:</b> Rebecca Clark, Samara Larson and Divya Gill for LINC-Gardena Associates, LLC; Michael A. Costa, Robert W. Tetrault and Thomas E. Erickson for HCHP Affordable Multi-Family, LLC |
|                                     | <b>Property Management Company:</b> Western National Property Management   |

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| <b>Project Financing Information:</b> | <b>Bond Counsel:</b> Kutak Rock LLP  |
|                                       | <b>Private Placement Purchaser:</b> America First Tax Exempt Investors, LP |
|                                       | <b>Public Sale:</b> Not Applicable   |
|                                       | <b>Underwriter:</b> Not Applicable   |
|                                       | <b>TEFRA Noticing Date:</b> July 22, 2016                                  |
|                                       | <b>TEFRA Adoption Date:</b> August 9, 2016                                 |

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|---|---|
| <b>Description of Proposed Project:</b> | <b>State Ceiling Pool:</b> General                      |
|   | <b>Total Number of Units:</b> 110, plus 2 manager units |
|   | <b>Type:</b> Acquisition and Rehabilitation             |
|   | <b>Type of Units:</b> Senior Citizens                   |

The development is a 112-unit, rental community originally built in 1997. All units feature: Range, Garbage disposal, Walk-in closets, Central A/C, Carpet and vinyl flooring. Project amenities include the following: Clubhouse/meeting room, Central laundry, Picnic area, Swimming pool/spa. The following items are scheduled to be done as part of the rehabilitation: Replace existing boilers and pumps with increased energy efficiency models; Replace existing refrigerators with new energy star rated models; Replace existing stove with energy star rated models; Install new faucet aerators; Replace existing showerheads with low flow models; Replace all toilets with low flow models; Remove wood trellis above trash enclosure and replace with new vinyl version; Sand slurry, seal coat, and restripe parking lot; Replace exterior building light fixtures with new LED fixtures; Paint exterior of all buildings; Repair areas of walk decks and overlay; all exterior decks and patios; Repair wrought iron fencing and

handrails; Install new aluminum carport structures; Replace all windows excluding sliding doors; Install photovoltaic system for common area electric; Trim overgrown trees; Mobility/communication upgrades (includes relocation costs, if any); Turf removal irrigation modification; Upgrade clubhouse facilities and furniture and Dry rot and wood rot repair and replacement. The community will be redeveloped in one phase. The anticipated rehabilitation is slated to begin in the first quarter of 2017 with completion slated for approximately the third quarter of 2017.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%

18% (20 units) restricted to 50% or less of area median income households.

82% (90 units) restricted to 60% or less of area median income households.

**Unit Mix:** 1 & 2 bedrooms

The proposed project will not be providing service amenities.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

|   |               |   |
|---|---------------|---|
| <b>Estimated Total Development Cost:</b>      | \$ 29,879,007 |   |
| <b>Estimated Hard Costs per Unit:</b>         | \$ 21,864     | (\$2,405,000 /110 units)                        |
| <b>Estimated per Unit Cost:</b>               | \$ 266,777    | (\$29,879,007 /112 units including mngr. units) |
| <b>Allocation per Unit:</b>                   | \$ 172,264    | (\$18,949,000 /110 units)                       |
| <b>Allocation per Restricted Rental Unit:</b> | \$ 172,264    | (\$18,949,000 /110 restricted units)            |

| <b>Sources of Funds:</b>   | Construction  | Permanent     |
|----------------------------|---------------|---------------|
| Tax-Exempt Bond Proceeds   | \$ 18,949,000 | \$ 12,096,483 |
| LIH Tax Credit Equity      | \$ 351,327    | \$ 7,579,964  |
| Deferred Developer Fee     | \$ 3,031,915  | \$ 3,031,915  |
| Deferred Costs             | \$ 376,120    | \$ 0          |
| Seller Carryback Loan      | \$ 5,659,442  | \$ 5,659,442  |
| Seller Equity              | \$ 1,075,890  | \$ 1,075,890  |
| Net Income From Operations | \$ 435,313    | \$ 435,313    |
| <b>Total Sources</b>       | \$ 29,879,007 | \$ 29,879,007 |

| <b>Uses of Funds:</b>                             |               |
|---|---------------|
| Land Cost/Acquisition                             | \$ 22,100,000 |
| Rehabilitation                                    | \$ 2,741,700  |
| Architectural Fees                                | \$ 14,000     |
| Survey and Engineering                            | \$ 40,000     |
| Construction Interest and Fees                    | \$ 1,009,112  |
| Permanent Financing                               | \$ 155,871    |
| Legal Fees  | \$ 137,500    |
| Reserves  | \$ 316,120    |
| Contingency Cost                                  | \$ 137,465    |
| Local Development Impact Fees                     | \$ 5,000      |
| Other Project Costs (Soft Costs, Marketing, etc.) | \$ 90,324     |
| Developer Costs                                   | \$ 3,131,915  |
| <b>Total Uses</b>                                 | \$ 29,879,007 |

**Analyst Comments:**

None

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**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.

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**Total Points:**

54 out of 140

[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approves \$18,949,000 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   | 29            |
| Exceeding Minimum Rent Restrictions<br>[Allowed if 10 pts not awarded above in Preservation Project] | [10]   | [10]   | 10            |
| 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   | 10            |
| Service Amenities  | 10   | 10   | 0             |
| New Construction or Substantial Renovation   | 10   | 10   | 0             |
| Sustainable Building Methods   | 10   | 10   | 0             |
| Forgone Eligible Developer Fee<br>(Competitive Allocation Process Only)                              | 10   | 10   | 0             |
| Minimum Term of Restrictions<br>(Competitive Allocation Process Only)                                | 10   | 10   | 0             |
| Negative Points (No Maximum)   | -10  | -10  | 0             |
| <b>Total Points</b>  | <b>140</b>   | <b>120</b>                                       | <b>54</b>     |

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.