

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
November 14, 2012
Staff Report
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT**

Prepared by: Sarah Lester

Applicant: California Housing Finance Agency

Allocation Amount Requested:
Tax-exempt: \$10,580,000

Project Information:
Name: Vintage at Kendall Apartments
Project Address: 1095 Kendall Drive
Project City, County, Zip Code: San Bernardino, San Bernardino, 92407

Project Sponsor Information:
Name: San Bernardino 611, LP (USA San Bernardino 611, Inc. and Riverside Charitable Corporation)
Principals: Geoffrey C. Brown, Edward R. Herzog, Michael J. McCleery, Karen McCurdy, Darren Bobrowsky and Valerie Silva for USA San Bernardino 611, Inc.; Ken Robertson, Craig Gillett, Penny
Property Management Company: USA Multifamily Management, Inc.

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: CalHFA (2012 Preservation Loan Program) / HUD
Private Placement Purchaser: US Treasury (NIBP)
TEFRA Hearing Date: August 29, 2012

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 176, plus 2 manager units
Type: Acquisition and Rehabilitation
Type of Units: Senior Citizens/Special Needs

The proposed project is an existing 178 senior unit complex (fka Victoria Woods San Bernardino) originally built during 1993 and 1994. The property consists of 13 two-story garden-style buildings and a club house/leasing office. There are 104 one-bedroom units (585 square feet each) and 74 two-bedroom units (753 square feet each) including 2 manager units. It is located on a 7.92 acre site. The target population will be senior households, age 55 and over, with incomes ranging from 50% to 60% of the area median income. Twenty (20) units will be set-aside for tenants under the Mental Health Services Act (MHSA). The scope of rehabilitation will be significant renovation of individual units and common areas. Construction will begin in December 2012 and take place over twelve months.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
20% (36 units) restricted to 50% or less of area median income households.
80% (140 units) restricted to 60% or less of area median income households.
Unit Mix: 1 & 2 bedrooms

The proposed project will provide instructor-led educational, health and wellness or skill building classes and health and wellness services and programs.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 20,150,011
Estimated Hard Costs per Unit: \$ 20,365 (\$3,584,317 /176 units)
Estimated per Unit Cost: \$ 114,489 (\$20,150,011 /176 units)
Allocation per Unit: \$ 60,114 (\$10,580,000 /176 units)
Allocation per Restricted Rental Unit: \$ 60,114 (\$10,580,000 /176 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 10,580,000	\$ 10,580,000
Developer Equity	\$ 2,238,047	\$ 1,038,966
LIH Tax Credit Equity	\$ 4,177,008	\$ 5,731,694
Direct & Indirect Public Funds	\$ 2,339,720	\$ 2,339,720
Other (NOI during Conv./Def. Dev Fee)	\$ 282,827	\$ 459,631
Total Sources	\$ 19,617,602	\$ 20,150,011

Uses of Funds:	
Acquisition/Land Purchase	\$ 12,000,000
On & Off Site Costs	\$ 434,744
Hard Construction Costs	\$ 3,149,573
Architect & Engineering Fees	\$ 38,500
Contractor Overhead & Profit	\$ 286,744
Developer Fee	\$ 2,238,047
Cost of Issuance	\$ 440,439
Capitalized Interest	\$ 105,800
Other Soft Costs (Marketing, etc.)	\$ 1,456,164
Total Uses	\$ 20,150,011

Description of Financial Structure and Bond Issuance:

The financial structure of the proposed project will be a credit enhancement transaction provided by the California Housing Finance Agency (CalHFA) under a risk sharing agreement with the U.S. Department of Housing and Urban Development ("HUD") to achieve an "AAA" rating. CalHFA's Portfolio Preservation Loan Program is structured from the U.S. Treasury's New Issue Bond Program ("NIBP"), where the U.S. Treasury purchases the bonds. The proposed financing structure is a 12 month, interest only acquisition/rehabilitation loan in the amount of \$10,580,000, along with a permanent loan, for the same amount, amortized for 35 years, with a maturity rate of 16 years. The initial interest rate for both loans is 5.05% (underwriting rate of 5.25% 0.20% green discount). Under the NIBP, the interest rate lock date shall be prior to November 1, 2012. In addition to CalHFA financing, the Mental Health Service Act (MHSA) Housing Program will provide residual receipt financing in the amount of \$2,339,720, deferred for 55 years at 3.00%. USA Multifamily Development, Inc. will provide residual receipt, 16-year, 5% financing in the amount of \$1,038,966.

Analyst Comments:

Not Applicable

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: 65.8 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$10,580,000 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
Federally Assisted At-Risk Project or HOPE VI Project	20	20	0
Exceeding Minimum Income Restrictions:	35	15	30
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project]	[10]	[10]	0.8
Gross Rents	5	5	5
Large Family Units	5	5	0
Leveraging	10	10	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	5
Service Amenities	10	10	10
New Construction	10	10	0
Sustainable Building Methods	10	10	5
Negative Points	-10	-10	0
Total Points	130	100	65.8

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.