

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
January 15, 2014
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Sarah Lester

Applicant: California Statewide Communities Development Authority

Allocation Amount Requested:
Tax-exempt: \$31,000,000

Project Information:
Name: Huntington Villa Yorba Apartments
Project Address: 16000 Villa Yorba
Project City, County, Zip Code: Huntington Beach, Orange, 92647

Project Sponsor Information:
Name: Huntington Villa Yorba Preservation, LP (Huntington Villa Yorba Cornucopia, LLC; and Huntington Villa Preservation Partners, LLC)
Principals: Irene Rivas and Yen Nguyen for Huntington Villa Yorba Cornucopia, LLC; William Szymczak for Huntington Villa Yorba Preservation Partners, LLC
Property Management Company: Preservation Partners Management Group, Inc.

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, N.A. / Freddie Mac
TEFRA Hearing Date: December 16, 2013

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 195, plus 3 manager units
Type: Acquisition and Rehabilitation
Type of Units: Family/Federally Assisted At-Risk

The proposed project is an existing 198-unit family apartment project constructed in 1971 on a flat 11.5 acre site. The project is located in the City of Huntington Beach, in the County of Orange. There are 16 two and three story buildings containing 21 one-bedroom units, 156 two-bedroom units and 21 three-bedroom units. The buildings are wood-framed construction with stucco exteriors. The roofs are a combination of flat, finished with a mineral-surfaced cap sheet over a multi-ply bituminous build-up membrane, insulated with rigid insulation and sloped asphalt shingle. According to the Applicant, new Title 24 compliant 20 year NDL warranty cool roof and new 30 year asphalt shingles will be installed as part of the renovation. The property contains a controlled access parking lot with approximately 396 parking spaces, of which 200 are covered carports. The parking area will be repaired, sealed and striped. Security site lighting on buildings and at walkways will also be upgraded. There are four laundry facilities and four playgrounds located on the property for resident use. The anticipated construction will begin in March of 2014 and expected to be completed by December 2014.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
11% (21 units) restricted to 50% or less of area median income households.
89% (174 units) restricted to 60% or less of area median income households.
Unit Mix: 1, 2 & 3 bedrooms

There will be no service amenities provided for the proposed project.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 60,313,942	
Estimated Hard Costs per Unit:	\$ 30,906	(\$6,026,737 /195 units)
Estimated per Unit Cost:	\$ 309,302	(\$60,313,942 /195 units)
Allocation per Unit:	\$ 156,566	(\$31,000,000 /198 units)
Allocation per Restricted Rental Unit:	\$ 158,974	(\$31,000,000 /195 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 31,000,000	\$ 0
Taxable Bond Proceeds	\$ 9,070,000	\$ 40,070,000
Developer Equity	\$ 2,500,000	\$ 799,990
LIH Tax Credit Equity	\$ 16,558,037	\$ 18,258,047
Other (Net Operating Income)	\$ 1,185,905	\$ 1,185,905
Total Sources	\$ 60,313,942	\$ 60,313,942

Uses of Funds:	
Acquisition/Land Purchase	\$ 47,270,000
Hard Construction Costs	\$ 6,026,737
Architect & Engineering Fees	\$ 25,000
Contractor Overhead & Profit	\$ 400,444
Developer Fee	\$ 2,500,000
Relocation	\$ 435,000
Cost of Issuance	\$ 339,100
Capitalized Interest	\$ 1,302,925
Other Soft Costs (Marketing, etc.)	\$ 2,014,736
Total Uses	\$ 60,313,942

Description of Financial Structure and Bond Issuance:

The proposed financing for this project will be a private placement transaction, which involves a Freddie Mac loan structure under the Freddie Mac Targeted Affordable Housing Moderate Rehabilitation Product Line whereby Citibank, N.A., in its capacity as the Freddie Mac Seller Servicer funds a permanent loan at closing. There will not be a separate construction lender. The loan will be an immediate funding permanent mortgage and will start amortizing the month following closing. The Bonds will be fully cash secured by the proceeds of the Freddie Mac Cash Mortgage (bankruptcy remote/preference proof money) which will be funded into a separate Collateral Account and held within the Trust Indenture. The bonds will have a nominal term of 24 months (rehabilitation period) with a built in call option 12 months following closing. Citibank, N.A. will agree to purchase the Bonds at a predetermined spread to the 2-year MMD Index. Once the rehabilitation is completed and the project is placed in service, the Bonds will be redeemed at par by using the proceeds sitting in the Collateral Account. The loan will bear an estimated underwriting fixed interest rate of 5.3% (rates and spread are subject to change). The term of the loan will be for 16 years with an amortized period of 35 years.

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: 62.8 out of 130
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$31,000,000 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	20
Exceeding Minimum Income Restrictions:	35	15	25
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project]	[10]	[10]	0
Gross Rents	5	5	5
Large Family Units	5	5	0
Leveraging	10	10	7.8
Community Revitalization Area	15	15	0
Site Amenities	10	10	5
Service Amenities	10	10	0
New Construction	10	10	0
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
Total Points	130	110	62.8

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.