

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**March 19, 2014**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Sarah Lester*

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**Applicant:** California Statewide Communities Development Authority

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**Allocation Amount Requested:**  
**Tax-exempt:** \$5,000,000

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**Project Information:**  
**Name:** Valley View Apartments  
**Project Address:** 2148 Jasmine Street  
**Project City, County, Zip Code:** Delano, Kern, 93215

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**Project Sponsor Information:**  
**Name:** CH Valley View Partners, LP (The Hampstead Group, Inc.; and CARE Housing Services GP, LLC)  
**Principals:** Chris Foster, Jeff Jallo and Greg Gossard for The Hampstead Group, Inc.; Andrew Parker, Howard Embry and Eric Miller for CARE Housing Services GP, LLC  
**Property Management Company:** Edgewood Management Corporation

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**Project Financing Information:**  
**Bond Counsel:** Orrick, Herrington & Sutcliffe, LLP  
**Underwriter:** Not Applicable  
**Credit Enhancement Provider:** Not Applicable  
**Private Placement Purchaser:** Citibank, N.A.  
**TEFRA Adopted Date:** January 6, 2014

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 89, plus 1 manager unit  
**Type:** Acquisition and Rehabilitation  
**Type of Units:** Family

The proposed project is an existing 90-unit Section 8 development that was originally built in 1981, located in the City of Delano, County of Kern and sits on 4.88 acres. The development consists of nine (9) two-story garden-style buildings and four (4) townhome-style buildings as well as one auxillary one-story building that serves as a leasing office, community room, and central laundry facility. The property offers two- and three-bedroom units and is currently benefitted by a Section 8 HAP contract. The project will continue to target income-qualified family households with incomes at 50% and 60% of the area median income. The scope of rehabilitation will include interior and exterior repairs, which include replacing composition shingle roofing; HVAC units, CO detectors, Energy Star rated lighting, kitchen sinks, toilets with low-water-use type (1.28 GPF), installing additional attic insulation, along with various other repairs and replacements. Rehabilitation is expected to begin May 2014 and scheduled to be completed by December 2014.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%  
20% (18 units) restricted to 50% or less of area median income households.  
80% (71 units) restricted to 60% or less of area median income households.  
**Unit Mix:** 2 & 3 bedrooms

No service amenities will be provide for the project.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

<b>Estimated Total Development Cost:</b>	\$	9,487,663	
<b>Estimated Hard Costs per Unit:</b>	\$	20,327	(\$1,809,085 /89 units)
<b>Estimated per Unit Cost:</b>	\$	106,603	(\$9,487,663 /89 units)
<b>Allocation per Unit:</b>	\$	56,180	(\$5,000,000 /89 units)
<b>Allocation per Restricted Rental Unit:</b>	\$	56,180	(\$5,000,000 /89 restricted units)

<b>Sources of Funds:</b>	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 5,000,000	\$ 3,597,606
Developer Equity	\$ 764,305	\$ 275,867
LIH Tax Credit Equity	\$ 750,499	\$ 2,501,664
Direct & Indirect Public Funds	\$ 1,960,347	\$ 1,960,347
Other(Inc. during Constr./ Existing Repl. Reserves/Energy Rebates)	\$ 1,012,512	\$ 1,152,179
<b>Total Sources</b>	<b>\$ 9,487,663</b>	<b>\$ 9,487,663</b>

<b>Uses of Funds:</b>	
Acquisition/Land Purchase	\$ 4,859,247
Hard Construction Costs	\$ 1,809,085
Architect & Engineering Fees	\$ 181,487
Contractor Overhead & Profit	\$ 253,272
Developer Fee	\$ 1,058,774
Relocation	\$ 60,000
Cost of Issuance	\$ 187,349
Capitalized Interest	\$ 234,325
Other Soft Costs (Marketing, etc.)	\$ 844,124
<b>Total Uses</b>	<b>\$ 9,487,663</b>

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**Description of Financial Structure and Bond Issuance:**

The financial structure for the proposed project will be a private placement transaction provided by Citibank, N.A. in the amount of \$5,000,000. A portion of the bonds totaling approximately \$1,400,000 will be structured as short-term bonds to be repaid by tax credit equity at stabilization. The construction period is expected to be completed in 8 months followed by 3 months of stabilization. Citibank's commitment allows for a construction period of 24 months with an option to extend up to 6 additional months. During construction, the interest rate on the loan will be a variable rate based off of 30-day LIBOR plus 250 bps. The remaining \$3,597,606 will be converted to permanent non-recourse debt upon stabilization. For Years 1-15 following conversion, at the time of application, a rate estimated to be 5.97% (17 year LIBOR swat index + 2.50%). For Years 16-35, following conversion, 8% fixed. The permanent loan term will be 30 years with an amortization period of 35 years. The Bonds will be issued by the California Statewide Communities Development Authority.

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**Analyst Comments:**

Not Applicable

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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:** 56 out of 130

[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$5,000,000 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	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
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	0
New Construction	10	10	0
Sustainable Building Methods	10	10	6
Negative Points	-10	-10	0
<b>Total Points</b>	<b>130</b>	<b>100</b>	<b>56</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.