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# **GOLDEN STATE FINANCE AUTHORITY**

**Project Report**

## **Placer Village Apartments**

**Issuer for 4% Tax-Exempt Multi-Family Bonds and Project Loan**

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**Executive Summary  
Attachments**

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**Prepared by  
The Dust Group, LLC**

**June 6, 2018**

Mr. Craig Ferguson  
Golden State Finance  
Authority  
1215 K Street, Suite 1650  
Sacramento, California 95814

RE: Placer Village Apartments

Dear Mr. Ferguson:

The Dust Group, LLC, acting as the Program Manager for Golden State Finance Authority ("GSFA"), has reviewed the application and request on behalf of Highridge Costa Housing Partners, LLC ("HCH") to do an acquisition rehab on a **Family** community property located at **2789 Ray Lawyer Dr., Placerville, CA 95667**. The developer is requesting the consent of approval of GSFA to act as Issuer and to submit the project to CDLAC for approval.

No loan is requested for this project from GSFA. The acquisition rehabilitation of the Development will result in the improvement of the property as well as having a positive impact on the neighborhood.

The Dust Group, LLC has reviewed the request, performed certain due diligence and has reached and formulated a summary. For purpose of this analysis, The Dust Group, LLC, reviewed the following:

- ❖ Financials including Sources and Uses and Fifteen Year Pro Forma
- ❖ Financial Information on the Developer
- ❖ Development History/Capability of the Developer
- ❖ Proposed Acquisition and Rehabilitation
- ❖ Occupancy History

**Development Information**

The Development, located at **2789 Ray Lawyer Dr., Placerville, CA 95667**, is an existing 76 unit family apartment complex constructed in 1996. **Placer Village Apartments** offers 36 two-bedroom units, 32 three-bedroom units and 8 four-bedroom units for rent, 1 of the three bedroom units is a non-revenue employee unit. The units have a family demographic and 100% of the units are restricted for clients with incomes at or below 50% - 60% of the Average Median Income ("AMI").

The Development has the following common area amenities: swimming pool, tot lot/playground, basketball court, on-site laundry room and a family area with picnic tables and barbecues. The units offer a patio/balcony, blinds and deadbolts. Kitchen appliances include a refrigerator, range, dishwasher and garbage disposal.

Project also includes Internet Service, after school programs and educational programs  
The Complex has 137 parking spaces, or 1.8 spaces per unit. well in excess of the required number (114) of parking spaces

Per Collier International's Appraisal the development has a present occupancy rate of 97.3% and a historical occupancy rate for the last two years of 97% and 98%, respectively. The economic vacancy rate has been 0.5% historically and the vacancy rate used in the Pro Forma is 5%, well above the historical levels.

**Subsidy Request Information**

No Subsidy is requested for this project.

**Debt Information**

Placer Village Apartments is presently owned by Placer Village Apartments, L.P. The Development was financed with a 9% tax-credit transaction in 2001.

**Purchase Contract**

The Purchase Contract is expected to be executed in August 2018

**Proposed Ownership Information**

The Actual Owner will be an LLC formed by HCH. Highridge Costa Companies ([www.housingpartners.com](http://www.housingpartners.com)) are among America's leading developers and operators of affordable housing, families and seniors in the Country

Outside California, they have developed 1854 units throughout 19 communities in the United States and Puerto Rico. In California, they have developed an additional 21 communities for 2,048 units.

## Sources and Uses Placer Village Apartments

Source	Lender	Construction	Permanent
Construction Loan		<u>\$7,505,000</u>	-
Tax -Credit Equity	=	<u>\$224,251</u>	<u>\$2,835,532</u>
<b><u>Bonds</u></b>	<b><u>America First</u></b>	<b><u>\$-0-</u></b>	<b><u>\$5,198,535</u></b>
Seller	<b><u>Seller</u></b>	<b><u>\$1,544,381</u></b>	<b><u>\$1,544,381</u></b>
Income During Construction		<u>\$793,330</u>	<u>\$793,330</u>
Costs Paid at Perm Financing		<u>\$1,205,827</u>	
City Loan			<u>\$-0-</u>
HCHP Developer Note			<u>\$901,012</u>
		<b><u>\$11,272,789</u></b>	<b><u>\$11,272,789</u></b>

<u>Use</u>	<u>Amount</u>
Acquisition and Pre Development	<u>\$60,000</u>
Purchase Price	<u>\$7,200,000</u>
Feasibility Studies	-
Hard Costs Construction	<u>\$2,624,598</u>
Soft Cost Construction	<u>\$933,586</u>
Lease Up and Sales	<u>\$454,605</u>
	<b><u>\$11,272,789</u></b>

# Pro Forma

Attached is the Pro Forma for the 15 year period following closing:

The Pro-Forma indicates debt service ratio at 1.15 in first year increasing to 1.47 in the fifteen year to cover 1<sup>st</sup> position debt.

Sungrove Senior, Garden Grove, CA STABILIZED CASH FLOW Senior Avg Rent/ 4% Tax Credits 27 Apr 18		Sungrove Senior Proforma - 2018 Feasibility 4/27/2018 10:28 AM														
YEAR	YEAR 1 2020	YEAR 2 2021	YEAR 3 2022	YEAR 4 2023	YEAR 5 2024	YEAR 6 2025	YEAR 7 2026	YEAR 8 2027	YEAR 9 2028	YEAR 10 2029	YEAR 11 2030	YEAR 12 2031	YEAR 13 2032	YEAR 14 2033	YEAR 15 2034	
ANNUAL INCOME INCREASES	0.0%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	
ANNUAL EXPENSE INCREASES	0.0%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	
NUMBER OF UNITS AVAILABLE FOR RENT	62	62	62	62	62	62	62	62	62	62	62	62	62	62	62	
VACANCY RATE	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	
REVENUE																
RENTAL INCOME	991,464	1,016,251	1,041,657	1,067,699	1,094,391	1,121,751	1,149,794	1,178,529	1,208,003	1,238,263	1,269,358	1,300,887	1,333,409	1,366,744	1,400,913	
MISCELLANEOUS INCOME	9,849	10,096	10,338	10,577	10,812	11,053	11,299	11,551	11,809	12,073	12,343	12,619	12,899	13,184	13,474	
TOTAL POTENTIAL RENTAL INCOME	1,001,313	1,026,347	1,051,995	1,078,276	1,105,203	1,132,804	1,161,093	1,190,080	1,219,882	1,250,496	1,281,701	1,313,506	1,346,043	1,379,328	1,414,387	
LESS: VACANCY	(30,039)	(30,792)	(31,566)	(32,359)	(33,169)	(34,007)	(34,874)	(35,771)	(36,698)	(37,656)	(38,645)	(39,666)	(40,719)	(41,804)	(42,921)	
TOTAL REVENUE	971,274	995,555	1,020,429	1,045,917	1,072,034	1,098,797	1,126,219	1,154,309	1,183,184	1,212,840	1,243,055	1,274,140	1,305,624	1,337,524	1,369,466	
OPERATING EXPENSES	(355,668)	(368,118)	(381,000)	(394,335)	(408,137)	(422,422)	(437,207)	(452,500)	(468,347)	(484,739)	(501,705)	(519,284)	(537,436)	(556,240)	(575,718)	
PROPERTY TAXES (Special Assessments, Bonds, etc. only)	(19,349)	(20,024)	(20,724)	(21,450)	(22,201)	(22,978)	(23,782)	(24,614)	(25,476)	(26,367)	(27,288)	(28,240)	(29,224)	(30,241)	(31,291)	
OPERATIONAL ANNUAL EXPENSES	(27,500)	(27,500)	(27,500)	(27,500)	(27,500)	(27,500)	(27,500)	(27,500)	(27,500)	(27,500)	(27,500)	(27,500)	(27,500)	(27,500)	(27,500)	
CAPITAL RESERVES	(24,600)	(24,600)	(24,600)	(24,600)	(24,600)	(24,600)	(24,600)	(24,600)	(24,600)	(24,600)	(24,600)	(24,600)	(24,600)	(24,600)	(24,600)	
TOTAL EXPENSES + RESERVES	(627,114)	(640,242)	(653,824)	(667,885)	(682,433)	(697,500)	(713,089)	(729,223)	(745,922)	(763,206)	(781,089)	(800,000)	(819,773)	(840,000)	(860,736)	
NET OPERATING INCOME	344,160	355,307	366,605	377,060	387,563	398,117	408,732	419,406	430,132	440,914	451,751	462,646	473,597	484,524	495,520	
Adj. Loan Debt Coverage Reserve	544,150	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
DEBT SERVICE 1ST	5.00%	(455,700)	(455,700)	(455,700)	(455,700)	(455,700)	(455,700)	(455,700)	(455,700)	(455,700)	(455,700)	(455,700)	(455,700)	(455,700)	(455,700)	
DEBT SERVICE RATIO ON 1ST LOAN	1.15	1.32	1.32	1.32	1.32	1.32	1.32	1.32	1.32	1.32	1.32	1.32	1.32	1.32	1.32	
ACCOUNTING	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
AVAILABLE CASH FLOW FOR FEES	88,300	89,546	110,850	122,301	133,867	145,637	157,521	169,545	181,709	194,010	206,446	219,014	231,710	244,533	257,478	
FEES																
AVAILABLE CASH FLOW FOR FEE 1	88,300	89,546	110,850	122,301	133,867	145,637	157,521	169,545	181,709	194,010	206,446	219,014	231,710	244,533	257,478	
PERCENTAGE APPLIED TO ASSET MANAGEMENT FEE	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	
ASSET MANAGEMENT FEE (INVESTOR LIP)	5,000	5,175	5,356	5,544	5,738	5,938	6,146	6,361	6,584	6,814	7,053	7,300	7,556	7,821	8,093	
Total Balance	(5,000)	(5,175)	(5,356)	(5,544)	(5,738)	(5,938)	(6,146)	(6,361)	(6,584)	(6,814)	(7,053)	(7,300)	(7,556)	(7,821)	(8,093)	
Amount Paid	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Amount Accrued	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
AVAILABLE CASH FLOW TO MSP & ACP	83,300	84,371	105,494	116,757	128,129	139,699	151,374	163,184	175,125	187,196	199,383	211,714	224,159	236,712	249,385	
Total Balance	(10,000)	(10,250)	(10,712)	(11,087)	(11,475)	(11,877)	(12,293)	(12,723)	(13,167)	(13,629)	(14,109)	(14,608)	(15,111)	(15,628)	(16,161)	
Amount Paid	(10,000)	(10,250)	(10,712)	(11,087)	(11,475)	(11,877)	(12,293)	(12,723)	(13,167)	(13,629)	(14,109)	(14,608)	(15,111)	(15,628)	(16,161)	
Amount Accrued	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
ADDITIONAL CAPITAL CONTRIBUTION																
CASH FLOW AVAILABLE FOR LOAN/LEASE PMTS	73,300	84,621	94,782	105,670	116,652	127,822	139,027	150,461	161,957	173,567	185,287	197,114	209,044	221,074	233,197	

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## **Summary**

Based upon the above information, GSFA should consider acting as the Issuer for the Placer Village Apartments.

The property has been around since 1996 and is in need of improvements after 22 years. The transaction will provide the funds to purchase the property and put \$2,624,598 in hard costs into the renovation of the project or \$34,500 per unit for rehab. This will improvement and maintain the units as well as benefit the surrounding neighborhood.

The area is well suited for multi-family affordable family rental housing, is experiencing a growth in population (approximately 1% per year since 2016) and is forecasted for continual growth at 1% until at least 2021, The eleven family comparable housing apartment complexes, in the Collier International Valuation and Advisory Services Appraisal, in the surrounding area, (within 4.3 miles), have experienced an average of 97 % occupancy.