

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**September 18, 2013**  
**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 Municipal Finance Authority

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**Allocation Amount Requested:**  
**Tax-exempt:** \$4,000,000

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**Project Information:**  
**Name:** Holly Court Apartments  
**Project Address:** 420 and 425 Maple Street  
**Project City, County, Zip Code:** West Sacramento, Yolo, 95691

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**Project Sponsor Information:**  
**Name:** LINC-Holly Court Housing Apartments Investors, LP (LINC-Holly Court Apartments, LLC)  
**Principals:** Hunter L. Johnson, Suny Lay Chang, Karen N. Maeshima and Nina Dooley  
**Property Management Company:** U.S. Residential Group

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**Project Financing Information:**  
**Bond Counsel:** Jones Hall, A Professional Law Corporation  
**Underwriter:** Not Applicable  
**Credit Enhancement Provider:** Not Applicable  
**Private Placement Purchaser:** Citibank, N.A.  
**TEFRA Hearing Date:** May 8, 2013

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 39, plus 1 manager unit  
**Type:** Acquisition and Rehabilitation  
**Type of Units:** Family

The proposed project is an existing property located in West Sacramento and consists of one community building and ten(10) four-plex buildings containing 40 residential units, which are predominately townhome style units. The units are comprised of twenty (20) two-bedroom, sixteen (16) three-bedroom, and four (4) four-bedroom units. The site amenities include two community laundry rooms, three play areas and a basketball court. The project lies on two separate parcels totaling 3.48 acres. The current and target population of the project is large families. The scope of work for the project consists of repairs to the exteriors of the buildings, including repair, replacing, staining and sealing the cedar shake siding; repairing, replacing, and painting the plywood siding; overlay of roofs with new asphalt shingles with at least a 20 year warranty; repair and replace existing gutters and downspouts; repairs to patio/courtyard fencing of the residential units; repairs to existing cabinetry, bathroom and kitchen fixtures. Site work will include replacement of the monument signs, additional mulch at the tot lots, new bollards will be added to demark the basketball court area from the parking lot, resealing and striping of the parking lots, and trimming of the site's overgrown trees. Energy improvements will exceed 10% improvement over existing energy usage. In addition, several improvements will be utilized to reduce the use of water, electricity and natural gas at the property. Also, to make easier use of the site and units for people with disabilities, the ADA accessible parking stalls will be upgraded to include an ADA compliant ramp with access to the sidewalks. Two units will receive upgrades to hardware to make them more accessible and cabinetry will be modified to ensure adaptability related to Fair Housing requirements. Rehabilitation will commence in January 2014 with completion anticipated within six (6) months by June 2014.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%  
31% (12 units) restricted to 50% or less of area median income households.  
69% (27 units) restricted to 60% or less of area median income households.  
**Unit Mix:** 2, 3 & 4 bedrooms

The proposed project will include after school programs.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

<b>Estimated Total Development Cost:</b>	\$	7,044,131	
<b>Estimated Hard Costs per Unit:</b>	\$	27,235	(\$1,062,163 /39 units)
<b>Estimated per Unit Cost:</b>	\$	180,619	(\$7,044,131 /39 units)
<b>Allocation per Unit:</b>	\$	102,564	(\$4,000,000 /39 units)
<b>Allocation per Restricted Rental Unit:</b>	\$	102,564	(\$4,000,000 /39 restricted units)

<b>Sources of Funds:</b>	Construction	Permanent
Taxable Bond Proceeds	\$ 4,000,000	\$ 1,565,515
Developer Equity	\$ 0	\$ 232,535
LIH Tax Credit Equity	\$ 0	\$ 1,745,847
Direct & Indirect Public Funds	\$ 2,905,980	\$ 2,905,980
Other (LINC Loan)	\$ 0	\$ 500,000
Other (Operations and Def. Dev. Fee)	\$ 0	\$ 94,254
<b>Total Sources</b>	<b>\$ 6,905,980</b>	<b>\$ 7,044,131</b>

<b>Uses of Funds:</b>	
Acquisition/Land Purchase	\$ 4,101,028
On & Off Site Costs	\$ 95,600
Rehabilitation Costs	\$ 966,563
Architect & Engineering Fees	\$ 20,000
Contractor Overhead & Profit	\$ 143,865
Developer Fee	\$ 707,560
Relocation	\$ 10,000
Cost of Issuance	\$ 210,944
Capitalized Interest	\$ 37,803
Other Soft Costs (Marketing, etc.)	\$ 750,768
<b>Total Uses</b>	<b>\$ 7,044,131</b>

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

The proposed project will be a private placement transaction provided by Citibank, N.A. ("Bank") who will purchase the entire \$4,000,000 bond amount. The bond structure will cover the project's construction and permanent financing. During the construction phase the term will be for 18 months, plus one 6-month extension and have a fixed interest rate equal to the SIFMA Municipal Swap Index plus a spread of 2.25% including a 5bps servicing fee. During the permanent phase, the loan amount will be \$1,565,515 with a term of 15 years and amortized over 35 years. The interest rate will be a fixed rate equal to the sum of 17-year maturity "AAA" bond rates as published by Thompson Municipal Market Monitor ("MMD") plus a spread of 2.25%.

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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:**

60 out of 130

[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$4,000,000 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	35
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	5
Leveraging	10	10	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	0
Service Amenities	10	10	5
New Construction	10	10	0
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
<b>Total Points</b>	<b>130</b>	<b>100</b>	<b>60</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.