

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**December 13, 2017**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Louise Eller*

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<b>Applicant:</b>	<b>California Housing Finance Agency</b>
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<b>Allocation Amount Requested:</b>	
<b>Tax-exempt:</b>	\$18,630,924

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<b>Project Information:</b>	
<b>Name:</b>	<b>Market Street Apartments</b>
<b>Project Address:</b>	1551 Market Street
<b>Project City, County, Zip Code:</b>	Redding, Shasta, 96001

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<b>Project Sponsor Information:</b>	
<b>Name:</b>	Downtown Redding Investors, LP (Community Revitalization and Development Corporation and Downtown Redding Investors, LLC)
<b>Principals:</b>	David Rutledge, Mike Dahl and Shelby Marocco for Community Revitalization Corporation; Allen Knott, Daniel Knott and Randy Knott for Downtown Redding Investors, LLC
<b>Property Management Company:</b>	MBS Property Management, Inc.

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<b>Project Financing Information:</b>	
<b>Bond Counsel:</b>	Orrick, Herrington & Sutcliffe LLP
<b>Private Placement Purchaser:</b>	Citibank, N.A. (construction only)
<b>Cash Flow Permanent Bond:</b>	Not Applicable
<b>Public Sale:</b>	Not Applicable
<b>Underwriter:</b>	Not Applicable
<b>Credit Enhancement Provider:</b>	Not Applicable
<b>Rating:</b>	Not Applicable
<b>TEFRA Noticing Date:</b>	October 7, 2017
<b>TEFRA Adoption Date:</b>	October 31, 2017

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<b>Description of Proposed Project:</b>	
<b>State Ceiling Pool:</b>	General
<b>Total Number of Units:</b>	82
<b>Manager's Units:</b>	1 Restricted
<b>Type:</b>	New Construction
<b>Population Served:</b>	Family

Market Street Apartments is a new construction project located in Redding on a 0.97-acre site. The project consists of 56 restricted rental units, 25 market rate units and 1 restricted manager's unit. The project will have 2 studio units, 15 one-bedroom units, 47 two-bedroom units and 18 three-bedroom units. Common amenities include a community room, two community gardens/patios, fitness room, onsite storage and a community laundry room. Each unit will have energy efficient refrigerator, dishwashers, stove/oven, garbage disposals and microwaves, LED lighting, water-efficient bathroom fixtures and high efficiency ducted mini-split HVAC units. 115 parking spaces will be provided. The construction is expected to begin June 2018 and be completed in December 2019.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 69.5%  
67.1% (55 units) restricted to 50% or less of area median income households.  
2.4% (2 units) restricted to 60% or less of area median income households.  
**Unit Mix:** Studio, 1, 2 & 3 bedrooms

The proposed project will not be providing service amenities.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

**Estimated Total Development Cost:** \$ 31,112,774  
**Estimated Hard Costs per Unit:** \$ 228,049 (\$18,700,000 /82 units including mgr. units)  
**Estimated per Unit Cost:** \$ 379,424 (\$31,112,774 /82 units including mgr. units)  
**Allocation per Unit:** \$ 227,206 (\$18,630,924 /82 units including mgr. units)  
**Allocation per Restricted Rental Unit:** \$ 326,858 (\$18,630,924 /57 restricted units)

<b>Sources of Funds:</b>	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 18,630,924	\$ 0
Taxable Proceeds	\$ 0	\$ 5,218,057
LIH Tax Credit Equity	\$ 381,850	\$ 7,571,766
Deferred Developer Fee	\$ 2,000,000	\$ 1,229,579
City of Redding Soft Loan	\$ 4,800,000	\$ 4,800,000
City of Redding AHSC Loan	\$ 5,300,000	\$ 5,300,000
HCD - AHSC Loan	\$ 0	\$ 5,873,372
CalHFA Gap Loan	\$ 0	\$ 1,120,000
Total Sources	\$ 31,112,774	\$ 31,112,774

<b>Uses of Funds:</b>	
Land Cost/Acquisition	\$ 2,000,000
New Construction	\$ 20,143,600
Contractor Overhead & Profit	\$ 1,496,000
Architectural Fees	\$ 700,000
Survey and Engineering	\$ 200,000
Construction Interest and Fees	\$ 891,000
Permanent Financing	\$ 138,534
Legal Fees	\$ 275,000
Reserves	\$ 151,142
Appraisal	\$ 20,000
Hard Cost Contingency	\$ 2,163,960
Local Development Impact Fees	\$ 538,203
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 395,335
Developer Costs	\$ 2,000,000
Total Uses	\$ 31,112,774

**Analyst Comments:**

None

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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:**

75 out of 140 [See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approves \$18,630,924 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
Preservation Project	20	20	0
Exceeding Minimum Income Restrictions:	35	15	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	10
Gross Rents	5	5	5
Large Family Units	5	5	0
Leveraging	10	10	10
Community Revitalization Area	5	5	0
Site Amenities	10	10	5
Service Amenities	10	10	0
New Construction or Substantial Renovation	10	10	10
Sustainable Building Methods	10	10	0
Forgone Eligible Developer Fee (Competitive Allocation Process Only)	10	10	N/A
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	N/A
Negative Points (No Maximum)	-10	-10	0
<b>Total Points</b>	<b>140</b>	<b>120</b>	<b>75</b>