

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
September 28, 2011
Staff Report
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT**

Prepared by: Annie Ong

Applicant: Housing Authority of the County of Kern

Allocation Amount Requested:
Tax-exempt: \$2,600,000

Project Information:
Name: Hallmark Apartments
Project Address: 8964 Hall Road
Project City, County, Zip Code: Lamont, Kern, 93241

Project Sponsor Information:
Name: Hallmark Associates, L.P. (Golden Empire Affordable Housing, Inc. II and DFA Development LLC)
Principals: DFA Development LLC: Daniel Fred
Golden Empire Affordable Housing, Inc. II: Randy M. Coats
Property Management Company: Interstate Realty Management Company

Project Financing Information:
Bond Counsel: Best Best & Krieger LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Rabobank, N.A.
TEFRA Hearing Date: August 15, 2011

Description of Proposed Project:
State Ceiling Pool: Rural
Total Number of Units: 47, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family/Federally Assisted At-Risk

The Project is a Federally Assisted At-Risk existing project. It involves the acquisition and rehabilitation of 16 one bedroom units and 32 two bedroom units, which includes 1 manager unit. Construction is estimated to start in January 2012 and be completed no later than December 2012. The targeted population is family.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
79% (37 units) restricted to 50% or less of area median income households.
21% (10 units) restricted to 60% or less of area median income households.
Unit Mix: 1 & 2 bedrooms

There will not be any service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

| | | | |
|---|----|-----------|------------------------------------|
| Estimated Total Development Cost: | \$ | 4,501,032 | |
| Estimated Hard Costs per Unit: | \$ | 29,448 | (\$1,384,060 /47 units) |
| Estimated per Unit Cost: | \$ | 95,767 | (\$4,501,032 /47 units) |
| Allocation per Unit: | \$ | 55,319 | (\$2,600,000 /47 units) |
| Allocation per Restricted Rental Unit: | \$ | 55,319 | (\$2,600,000 /47 restricted units) |

| Sources of Funds: | Construction | Permanent |
|-----------------------------------|---------------------|---------------------|
| Tax-Exempt Bond Proceeds | \$ 2,600,000 | \$ 1,250,000 |
| Developer Equity | \$ 437,150 | \$ 437,150 |
| Deferred Developer Fee | \$ 0 | \$ 1,482 |
| LIH Tax Credit Equity | \$ 300,000 | \$ 1,424,121 |
| Direct & Indirect Public Funds | \$ 988,279 | \$ 1,388,279 |
| Other (Post Construction Sources) | \$ 175,603 | \$ 0 |
| Total Sources | \$ 4,501,032 | \$ 4,501,032 |

| Uses of Funds: | |
|------------------------------------|---------------------|
| Acquisition Cost | \$ 1,824,000 |
| On & Off Site Costs | \$ 99,381 |
| Rehabilitation Costs | \$ 1,284,679 |
| Architect & Engineering Fees | \$ 14,500 |
| Contractor Overhead & Profit | \$ 173,562 |
| Developer Fee | \$ 370,859 |
| Relocation | \$ 36,000 |
| Cost of Issuance | \$ 45,000 |
| Capitalized Interest | \$ 68,250 |
| Other Soft Costs (Marketing, etc.) | \$ 584,801 |
| Total Uses | \$ 4,501,032 |

Description of Financial Structure and Bond

The tax-exempt construction and permanent financing of Hallmark Apartments will be completed with a private placement transaction provided through Rabobank, N.A.. The bond purchase amount is \$2,600,000. The construction loan of \$2,600,000 will have a term up to 24 months at greater of LIBOR + 3% or 4.75%. and will mature 18 months following the date of recording of the Deed of Trust. The permanent loan of \$1,250,000 is 30 years, fixed at 5.75% the first 15 years and reset in year 16-30 at CIP + 2% and no higher than 4% above initial rate. The permanent loan will mature 30 years following the conversion Date.

Analyst Comments:

None

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: 73 out of 128

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$2,600,000 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 | 10 |
| 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 | 0 |
| Leveraging | 10 | 10 | 10 |
| Community Revitalization Area | 15 | 15 | 0 |
| Site Amenities | 10 | 10 | 10 |
| Service Amenities | 10 | 10 | 0 |
| New Construction | 10 | 10 | 0 |
| Sustainable Building Methods | 8 | 8 | 3 |
| Negative Points | -10 | -10 | 0 |
| Total Points | 128 | 108 | 73 |

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.