

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 14, 2011
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Richard Fischer

Applicant: California Municipal Finance Authority

Allocation Amount Requested:
Tax-exempt: \$3,400,000

Project Information:
Name: McCarty Manor Apartments
Project Address: 741 Waugh Lane
Project City, County, Zip Code: Ukiah, Mendocino, 95482

Project Sponsor Information:
Name: Pine Gardens I
Principals: William Thompson, Hans-Peter Klein, Gary Mirata, Charlotte Watkins, Duane Hill, Bruce Alfano and Lois Goforth
Property Management Company: Rural Communities Housing Development Corporation (RCHDC)

Project Financing Information:
Bond Counsel: Quint & Thimmig LLP
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: PNC Bank, N.A.
TEFRA Hearing Date: November 2, 2011

Description of Proposed Project:
State Ceiling Pool: Rural
Total Number of Units: 40, plus no manager units
Type: Acquisition and Rehabilitation
Type of Units: Family/Federally Assisted At-Risk

This is an At-Risk 515 USDA Rural Project. The Project consists of 8 two-story buildings with 8 one-bedroom, 12 two-bedroom and 20 three-bedroom units. There is uncovered parking for all the tenants. The landscaped areas have numerous oak trees, other trees, lawn and shrubs. There is a tot lot and playground on site.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
60% (24 units) restricted to 50% or less of area median income households.
40% (16 units) restricted to 60% or less of area median income households.
Unit Mix: 1, 2 & 3 bedrooms

Service amenities: N.A.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	6,604,512	
Estimated Hard Costs per Unit:	\$	30,000	(\$1,199,981 /40 units)
Estimated per Unit Cost:	\$	165,113	(\$6,604,512 /40 units)
Allocation per Unit:	\$	85,000	(\$3,400,000 /40 units)
Allocation per Restricted Rental Unit:	\$	85,000	(\$3,400,000 /40 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 3,400,000	\$ 1,850,000
Deferred Developer Fee	\$ 0	\$ 371,952
LIH Tax Credit Equity	\$ 475,000	\$ 1,958,920
Direct & Indirect Public Funds(Including AHP)	\$ 1,127,819	\$ 1,527,819
Other (Carry-Back Loan-Seller)	\$ 800,000	\$ 800,000
Other (Reserves)	\$ 95,821	\$ 95,821
Other (Post Construction Sources)	\$ 705,872	\$ 0
Total Sources	\$ 6,604,512	\$ 6,604,512

Uses of Funds:	
Land Purchase	\$ 3,440,000
On & Off Site Costs	\$ 96,960
Hard Construction Costs	\$ 1,103,021
Architect & Engineering Fees	\$ 63,000
Contractor Overhead & Profit	\$ 125,998
Developer Fee	\$ 777,536
Relocation	\$ 70,000
Cost of Issuance	\$ 45,000
Capitalized Interest	\$ 142,800
Other Soft Costs (Marketing, etc.)	\$ 740,197
Total Uses	\$ 6,604,512

Description of Financial Structure and Bond

This PNC Bank N.A. bond transaction is a private placement Bridge loan and construction /permanent loan transaction. The Construction and Bridge Loan period will be for 24 months. The Term loan will have a term of fifteen years following construction completion and conversion. Construction and Bridge Loan terms are PNC Prime plus 100 basis points. The current estimated interest rate is 4.25%. The Term Loan interest rate shall be fixed upon execution of a rate block agreement and subsequent closing of the Term Loan simultaneous with the Construction Loan. The Term Note Rate will be fixed interest rate as determined by the Lender, currently estimated at 6.25% and will take effect 24-months from closing. Interest shall be computed on the basis of the actual number of days elapsed over a year consisting of 360 days.

Analyst Comments:

USDA 515 Rural Project.

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: 75 out of 128

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$3,400,000 in tax exempt bond allocation on a carryforward basis.

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	5
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	0
Negative Points	-10	-10	0
Total Points	128	108	75

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.