

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**December 11, 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 Housing Finance Agency

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**Allocation Amount Requested:**  
**Tax-exempt:** \$12,000,000

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**Project Information:**  
**Name:** Mountain Breeze Villas Apartments  
**Project Address:** 25942 E. Baseline Street  
**Project City, County, Zip Code:** Highland, San Bernardino, 92410

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**Project Sponsor Information:**  
**Name:** Mountain Breeze Villas, LP (Mountain Breeze GP, LLC; and  
Hearthstone Housing Foundation)  
**Principals:** Danielle Curls Bennette, Deanna Curls and Nicole Lewis for  
Alliance Property Group, Inc.; Socorro Vasquez, Juan  
Maldonado, and Velma de la Rosa for Hearthstone Housing  
Foundation  
**Property Management Company:** The John Stewart Company

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**Project Financing Information:**  
**Bond Counsel:** Orrick, Herrington & Sutcliffe LLP  
**Underwriter:** California Housing Finance Agency  
**Credit Enhancement Provider:** US Dept of Housing and Urban Development  
**Private Placement Purchaser:** California Housing Finance Agency  
**TEFRA Hearing Date:** August 27, 2013

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 167, plus 1 manager unit  
**Type:** Acquisition and Rehabilitation  
**Type of Units:** Family

The proposed project is an existing 168-unit multifamily development that consists of 56 one-bedroom units and 111 two-bedroom units restricted to households earning 35, 50 and 60 percent of the area median income (AMI). The development is comprised of nine (9) two-story buildings and one single-story pool house. It should be noted that the developer plans to apply for an additional subsidy for the 20 one-bedroom units at 30 percent AMI. These units will target adults with severe mental illness, as defined in the Mental Health Stability Act (MSHA), who among other things, may be homeless or are at risk of homelessness. The project is approximately 331,927 square feet, or 7.62 acres in the City of Highland, County of San Bernardino. The project was originally constructed in 1987. The scope of rehabilitation will include new cabinets and countertops, new appliances, new windows and sliding doors, new plumbing and electrical fixtures, interior painting, flooring, new interior and exterior doors and hardware. Site and building exterior renovations include: landscaping, renovated community room and kitchen, new counseling room and computer lab. The developer's estimated completion date is November 2014.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%

19% (32 units) restricted to 50% or less of area median income households.

81% (135 units) restricted to 60% or less of area median income households.

**Unit Mix:** 1 & 2 bedrooms

No service amenities will be included in the proposed project.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

<b>Estimated Total Development Cost:</b>	\$ 18,543,633	
<b>Estimated Hard Costs per Unit:</b>	\$ 18,108	(\$3,024,000 /167 units)
<b>Estimated per Unit Cost:</b>	\$ 111,052	\$18,545,633 /167 units)
<b>Allocation per Unit:</b>	\$ 71,856	(\$12,000,000 /167 units)
<b>Allocation per Restricted Rental Unit:</b>	\$ 71,856	(\$12,000,000 /167 restricted units)

<b>Sources of Funds:</b>	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 12,000,000	\$ 8,385,000
Developer Equity	\$ 0	\$ 38,902
Deferred Developer Fee	\$ 0	\$ 1,529,873
LIH Tax Credit Equity	\$ 500,000	\$ 4,997,232
Direct & Indirect Public Funds	\$ 2,933,300	\$ 2,933,300
Other (Income During Rehab)	\$ 661,326	\$ 661,326
<b>Total Sources</b>	<b>\$ 16,094,626</b>	<b>\$ 18,545,633</b>

<b>Uses of Funds:</b>	
Acquisition/Land Purchase	\$ 10,080,150
Hard Construction Costs	\$ 3,024,000
Architect & Engineering Fees	\$ 138,301
Contractor Overhead & Profit	\$ 241,920
Developer Fee	\$ 1,529,783
Relocation	\$ 252,000
Capitalized Interest	\$ 540,000
Other Soft Costs (Marketing, etc.)	\$ 2,739,479
<b>Total Uses</b>	<b>\$ 18,545,633</b>

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

The financial structure of the proposed project will be a credit-enhanced transaction provided by the California Housing Finance Agency ("CalHFA") under a risk sharing agreement with the U.S. Department of Housing and Urban Development ("HUD") to achieve an "Aaa" or "Aa" rating. The interest rate lock date shall be prior to November 12, 2013. The bonds will be issued by the CalHFA.

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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:**

72 out of 130

[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$12,000,000 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	0
Exceeding Minimum Income Restrictions:	35	15	29
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	15
Site Amenities	10	10	10
Service Amenities	10	10	0
New Construction	10	10	0
Sustainable Building Methods	10	10	3
Negative Points	-10	-10	0
<b>Total Points</b>	<b>130</b>	<b>100</b>	<b>72</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.