

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 20, 2015
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Richard Fischer

Applicant: California Statewide Communities Development Authority

Allocation Amount Requested:
Tax-exempt: \$3,850,000

Project Information:
Name: Mendota Village and Firebaugh Garden Apartments
Project Address: 1100 Second Street; 600 P Street
Project City, County, Zip Code: Mendota; Firebaugh, Fresno, 93640, 93622

Project Sponsor Information:
Name: FC Investments Group, L.P. (The Beneficial Housing Foundation and FC Investment Group G/P, L.L.C.)
Principals: Kimberly McClintock, Monique Hall and Debbie Bailey for The Beneficial Housing Foundation; Ronald D. Bettencourt and Wilfred N. Cooper, Jr. for FC Investment Group G/P, L.L.C.
Property Management Company: AWI Management Corporation

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Rabobank, N.A.; Const./Bellwether Real Est. Cap., LLC; Perm
TEFRA Adoption Date: August 12, 2014; July 21, 2014

Description of Proposed Project:
State Ceiling Pool: Rural
Total Number of Units: 82, plus 2 manager units
Type: Acquisition and Rehabilitation
Type of Units: Family

Both Projects are existing projects consisting of a total of 82 units. A transfer of the properties is anticipated in June 2015 with construction to commence shortly thereafter. All units will be LIHTC-restricted to households with income levels at or below 60 percent AMI levels. The target population for the project will be families in most units but, there will be single individuals occupying some of the units (particularly the one-bedroom units). Unit amenities will include refrigerator, oven/range, central air, carpet and window treatments. The amenities will include a playground, basketball court, laundry facility, on-site management, on-site maintenance and video surveillance. Anticipated rehabilitation to the structures include roof upgrade and repair, exterior lighting, window upgrades, parking lot upgrades to meet ADA requirements. Appliance upgrades for each unit, if necessary, will be replaced and also kitchen cabinet renovation. Both properties contain covered parking and surface parking areas. Public schools, medical facilities, grocery shopping and employment are all located nearby. Government services and facilities are all located within the city limits. The properties are zoned R3 (Multifamily). Anticipated completion date is December 2015 for both sites.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
39% (32 units) restricted to 50% or less of area median income households.
61% (50 units) restricted to 60% or less of area median income households.
Unit Mix: 1, 2, 3 & 4 bedrooms

No service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	8,022,516	
Estimated Hard Costs per Unit:	\$	21,512	(\$1,764,000 /82 units)
Estimated per Unit Cost:	\$	97,836	(\$8,022,516 /82 units)
Allocation per Unit:	\$	46,951	(\$3,850,000 /82 units)
Allocation per Restricted Rental Unit:	\$	46,951	(\$3,850,000 /82 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 3,850,000	\$ 2,000,000
Developer Equity	\$ 406,359	\$ 85,824
LIH Tax Credit Equity	\$ 241,171	\$ 2,411,706
Direct & Indirect Public Funds	\$ 3,524,986	\$ 3,524,986
Total Sources	\$ 8,022,516	\$ 8,022,516

Uses of Funds:	
Acquisition/Land Purchase	\$ 3,627,000
Hard Construction Costs	\$ 1,764,000
Architect & Engineering Fees	\$ 165,000
Contractor Overhead & Profit	\$ 141,120
Developer Fee	\$ 926,171
Relocation	\$ 12,500
Cost of Issuance	\$ 81,925
Capitalized Interest	\$ 115,500
Other Soft Costs (Marketing, etc.)	\$ 1,189,300
Total Uses	\$ 8,022,516

Description of Financial Structure and Bond Issuance:

The Bonds will be issued by the California Statewide Communities Development Authority. The construction phase of the bonds will be for a period of 18 months or less in a total of \$3,850,000. The expected interest rate during the rehabilitation period will be the greater of one (1) month LIBOR plus 2.50% or 4.5%. The tax-exempt bonds will carry a fixed interest rate, amortization period of 40 years and a term of 40 years in the amount of \$2,000,000. The underwritten interest rate on the tax-exempt bonds is 5.75%. The bonds will be structured as a private placement with a guarantee from the USDA RHS 538 Guaranteed Rural Rental Housing Program. The proposed private placement purchaser during the construction period is Rabobank, N.A. and Bellwether Enterprise Real Estate Capital, LLC during the permanent phase. In addition to the tax-exempt bonds, there will also be an assumption of the hard debt service loan with USDA Rural Development (515). The interest rate on this loan is 1% and there is a 30-year term and 50-year amortization period.

Analyst Comments:

Scattered Site.

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: 69.8 out of 130
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$3,850,000 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	10
Service Amenities	10	10	0
New Construction	10	10	0
Sustainable Building Methods	10	10	4.8
Negative Points	-10	-10	0
Total Points	130	100	69.8

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.