

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 15, 2015
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: \$21,000,000

Project Information:
Name: Bellflower Friendship Manor Apartments
Project Address: 9550 Oak Street
Project City, County, Zip Code: Bellflower, Los Angeles, 90706

Project Sponsor Information:
Name: Bellflower FM Community Partners, LP (FFAH-Bellflower FM, LLC, Bellflower FM GP, LLC & TBD-WNC Holdings, LLC)
Principals: Thomas E. Willard for FFAH-Bellflower FM, LLC; Anand Kannan for Bellflower FM GP. LLC and WNC Holdings, LLC
Property Management Company: FPI Management, Inc.

Project Financing Information:
Bond Counsel: Jones Hall, A Professional Law Corporation
Private Placement Purchaser: Citibank, N.A.
TEFRA Adoption Date: June 8, 2015

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 143, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Senior Citizens

The Project is an 8-story, mid-rise building with a total of 144 apartment units that consists of 84 studio units and 60 one-bedroom units (including one manager's unit that is income restricted). Currently, 72 of the units at Bellflower Friendship Manor are subject to an existing HAP contract; the remaining 72 units are non-Section 8 units. A transfer of the property is planned and 143 units will be LIHTC-restricted to senior households with income levels at or below the 50 and 60 percent AMI levels. A one-bedroom unit at 60% will remain a manager's unit. The property will continue to benefit from the Section 8 subsidy. The rehabilitation program will address health and safety issues, ADA, deferred maintenance, and energy efficiency when possible. Currently, the developer is planning on replacing all countertops and cabinetry in units, replacing the windows, painting the kitchen and baths, addressing parking lot deferred maintenance, and replacing and upgrading building systems as necessary. The renovation of the Project will positively impact the neighborhood and the availability of affordable senior housing in Bellflower. The neighborhood is well suited for this type of housing. Construction is scheduled to start in September 2015 and be completed by August 2016.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
30% (43 units) restricted to 50% or less of area median income households.
70% (100 units) restricted to 60% or less of area median income households.
Unit Mix: Studio & 1 bedroom

Service amenity included for the proposed project is a full time bona fide service coordinator/social worker .

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 30,542,882
Estimated Hard Costs per Unit: \$ 37,783 (\$5,402,980 /143 units)
Estimated per Unit Cost: \$ 213,587 (\$30,542,882 /143 units)
Allocation per Unit: \$ 146,853 (\$21,000,000 /143 units)
Allocation per Restricted Rental Unit: \$ 146,853 (\$21,000,000 /143 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 21,000,000	\$ 14,250,000
LIH Tax Credit Equity	\$ 2,043,310	\$ 9,897,360
Other(Seller Note)	\$ 3,500,000	\$ 3,500,000
Other(Cash Flow from Operations)	\$ 1,499,572	\$ 1,792,653
Other(Deferred Developer Fee)	\$ 2,500,000	\$ 1,102,869
Total Sources	\$ 30,542,882	\$ 30,542,882

Uses of Funds:	
Acquisition/Land Purchase	\$ 19,149,999
Hard Construction Costs	\$ 5,402,980
Development Impact Fees	\$ 1,058,085
Architect & Engineering Fees	\$ 182,000
Contractor Overhead & Profit	\$ 403,200
Developer Fee	\$ 2,500,000
Cost of Issuance	\$ 85,864
Legal Fees	\$ 150,000
Const. & Perm. Financing	\$ 448,050
Reserves	\$ 378,000
Soft Costs (Capitalized Int. and Relocation, etc.)	\$ 784,704
Total Uses	\$ 30,542,882

Description of Financial Structure and Bond Issuance:

The bonds during the rehabilitation period will be in the amount of \$21,000,000 and will have an interest rate of approximately 3.00%. The amount of bonds remaining at the permanent loan conversion are anticipated to be \$14,250,000 and will earn interest at approximately 4.25%. The bonds will be privately placed with CITI. The bonds will have a 24 month construction period plus a 30 year maturity. During the interim and permanent phases the bond proceeds will be secured by a first lien deed of trust on the property, an assignment of leases, rents and other income, and an assignment of the tax credit equity. If bonds are awarded to the partnership in July 2015, the bond closing is anticipated to occur sometime in October 2015, or sooner, and will be subject to customary closing conditions such as an appraisal, phase I environmental assessment, title insurance, an ALTA survey, evidence of insurance, construction budget, permits (if any), and other standard due diligence and pre-closing items. Once all rehabilitation work is completed, the partnership will be eligible for conversion to the permanent phase. The rehabilitation period is anticipated to be approximately 12 months. At conversion, any remaining tax credit equity will be funded and the bonds will be sized at the lesser of a 90% loan-to-value or 1.15 to 1.0 debt coverage ratio. Given the above, the permanent loan at conversion is currently estimated at \$14,250,000.

Analyst Comments:

Not Applicable

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: 58.5 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$21,000,000 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]	3.5
Gross Rents	5	5	5
Large Family Units	5	5	0
Leveraging	10	10	0
Community Revitalization Area	15	15	0
Site Amenities	10	10	10
Service Amenities	10	10	5
New Construction	10	10	0
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
Total Points	130	100	58.5

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.