

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**September 24, 2008**  
**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:**    \$7,175,000

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**Project Information:**

**Name:**    **Fairmount Apartments**  
**Project Address:**    401 Fairmount Avenue  
**Project City, County, Zip Code:**    Oakland, Alameda, 94611

The proposed Project is located in a Community Revitalization area, more specifically in the Oakland Enterprise Zone.

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**Project Sponsor Information:**

**Name:**    401 Fairmount, LP (Affordable Housing Associates)  
**Principals:**    Susan Friedland and Kevin Zwick

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**Project Financing Information:**

**Bond Counsel:**    Orrick, Herrington & Sutcliffe, LLP  
**Underwriter:**    Merrill Lynch & Co.  
**Credit Enhancement Provider:**    California Housing Finance Agency  
**Private Placement Purchaser:**    Not Applicable  
**TEFRA Hearing:**    August 14, 2008

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**Description of Proposed Project:**

**State Ceiling Pool:**    General  
**Total Number of Units:**    30, plus 1 manager's unit  
**Type:**    Acquisition and Rehabilitation  
**Type of Units:**    Family (includes 5 Special Units)

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**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:**    100%  
100% (30 units) restricted to 50% or less of area median income households.  
0% (0 units) restricted to 60% or less of area median income households.  
**Unit Mix:**    1 and 2 bedrooms

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**Term of Restrictions:**    55 years

|   |              |                                     |
|---|--------------|-------------------------------------|
| <b>Estimated Total Development Cost:</b>      | \$12,012,510 |                                     |
| <b>Estimated Hard Costs per Unit:</b>         | \$125,900    | (\$3,777,000 / 30 units)            |
| <b>Estimated per Unit Cost:</b>               | \$400,417    | (\$12,012,510 / 30 units)           |
| <b>Allocation per Unit:</b>                   | \$239,167    | (\$7,175,000 / 30 units)            |
| <b>Allocation per Restricted Rental Unit:</b> | \$239,167    | (\$7,175,000 / 30 restricted units) |

The Project has total project costs that appear high for the geographic area in which it is located. According to the Project Sponsor, the high cost is to 1) High land costs; 2) High construction material costs; 3) High capitalized operating reserves as a result of extremely low income targeting and special needs population; 4) Relocation costs; 5) Seismic retrofitting; 6) Prevailing wages; 7) Solar technology for solar hot water heating system; and 8) Environmental remediation

| <b>Sources of Funds:</b>       | <u>Construction</u>  | <u>Permanent</u>     |
|--------------------------------|----------------------|----------------------|
| Tax-Exempt Bond Proceeds       | \$ 7,175,000         | \$ 580,000           |
| GP Contribution                | \$ 0                 | \$ 628,722           |
| Deferred Developer Fee         | \$ 0                 | \$ 85,001            |
| LIH Tax Credit Equity          | \$ 9,396             | \$ 4,317,302         |
| Direct & Indirect Public Funds | \$ 3,400,000         | \$ 6,206,485         |
| FHLP AHP                       | \$ 0                 | \$ 195,000           |
| <b>Total Sources</b>           | <b>\$ 10,584,396</b> | <b>\$ 12,012,510</b> |

| <b>Uses of Funds:</b>        |                      |
|------------------------------|----------------------|
| Acquisition Costs            | \$ 3,758,500         |
| Rehabilitation Costs         | \$ 4,500,000         |
| Relocation                   | \$ 250,000           |
| Architectural                | \$ 312,060           |
| Survey & Engineering         | \$ 0                 |
| Contingency Costs            | \$ 588,252           |
| Construction Period Expenses | \$ 452,279           |
| Permanent Financing Expenses | \$ 21,150            |
| Legal Fees                   | \$ 40,000            |
| Capitalized Reserves         | \$ 347,841           |
| Reports & Studies            | \$ 85,400            |
| Other                        | \$ 254,806           |
| <b>Development Costs</b>     | <b>\$ 1,402,222</b>  |
| <b>Total Uses</b>            | <b>\$ 12,012,510</b> |

**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:** 100.5 out of 128

[See Attachment A]

**Recommendation:**

Staff recommends that the Committee approve \$7,175,000 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:<br>Non-Mixed Income Project<br>Mixed Income Project  | 35   | 15   | 35            |
| Exceeding Minimum Rent Restrictions<br>[Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project] | [10]   | [10]   | 10            |
| Gross Rents   | 5  | 5  | 5             |
| Large Family Units  | 5  | 5  | 0             |
| Leveraging  | 10   | 10   | 10            |
| Exceeding Minimum Term of Restrictions  | 10   | 10   | 10            |
| Community Revitalization Area   | 15   | 15   | 5             |
| Site Amenities  | 10   | 10   | 7.5           |
| Service Amenities   | 10   | 10   | 10            |
| New Construction  | 10   | 10   | 0             |
| Sustainable Building Methods  | 8  | 8  | 8             |
| Negative Points   | -10  | -10  | 0             |
| <b>Total Points</b>   | <b>128</b>   | <b>108</b>                                       | <b>100.5</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.