

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 3, 2008
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Sarah Lester

Applicant: California Housing Finance Agency

Allocation Amount Requested: Tax-exempt: \$7,175,000

PROJECT ORIGINALLY RECEIVED ALLOCATION ON SEPTEMBER 24, 2008. APPLICANT REQUESTED AWARD BE DEFERRED TO DECEMBER 3 ALLOCATION MEETING.

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.

Project Sponsor Information:

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

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

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)

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

Term of Restrictions: 55 years

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

Sources of Funds:	<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
Total Sources	\$ 10,584,396	\$ 12,012,510

Uses of Funds:	
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
Development Costs	\$ 1,402,222
Total Uses	\$ 12,012,510

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 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: Non-Mixed Income Project Mixed Income Project	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]	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
Total Points	128	108	100.5

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.