

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE  
March 16, 2011  
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 Statewide Communities Development Authority

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**Allocation Amount Requested:**  
**Tax-exempt:** \$6,100,000

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**Project Information:**  
**Name:** Tulare Portfolio Apartments  
**Project Addresses:** 41730 Rd. 128 (Alta Vista Apts.), 41334 Rd. 127 (Sequoia View Apts.), 12415 Ave. 416 (Orchard Manor I Apts.), 12495 Ave. 416 (Orchard Manor II Apts.)  
**Project City, County, Zip Code:** Orosi, Tulare, 93647

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**Project Sponsor Information:**  
**Name:** Tulare 2010 Community Partners, LP (STPH II, LLC, and Central Valley Coalition for Affordable Housing)  
**Principals:** Philip Randolph Hammond, Jr. for STPH II, LLC; Chris Alley, Jennifer Bertuccio, Renee Downum, Allen Jenkins, Sid McIntyre and Steve Simmons for Central Valley Coalition for Affordable Housing

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**Project Financing Information:**  
**Bond Counsel:** Orrick, Herrington & Sutcliffe LLP  
**Underwriter:** Not Applicable  
**Credit Enhancement Provider:** Not Applicable  
**Private Placement Purchaser:** Bellwether Real Estate Capital / Coventry Capital Group  
**TEFRA Hearing Date:** February 1, 2011

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**Description of Proposed Project:**  
**State Ceiling Pool:** Rural  
**Total Number of Units:** 156, plus 4 manager units  
**Type:** Acquisition and Rehabilitation  
**Type of Units:** Family and Senior / Federally Assisted At-Risk

The Proposed Project is a scattered site project which consists of three (3) family projects and one (1) senior project. The Proposed Project is seeking preservation of "At-Risk" USDA Section 515 Affordable Rental Housing (specifically 115 family units and 41 senior units). The developer is looking to completely renovate the subject properties in the portfolio. All of the existing occupants are expected to qualify to remain in their units under the current family income thresholds. Construction is expected to begin around June 2011 and be completed by June 2012.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%  
34% (53 units) restricted to 50% or less of area median income households.  
66% (103 units) restricted to 60% or less of area median income households.  
**Unit Mix:** 1, 2, 3 & 4 bedrooms

The Proposed Project will preserve 156 income and rent restricted units that are at-risk of losing affordability restrictions. According to the information provided in the Application, the Project is in close proximity to public schools, medical facilities, grocery shopping and employment opportunities, which all benefit the tenants and the community as a whole.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

<b>Estimated Total Development Cost:</b>	\$	13,373,166	
<b>Estimated Hard Costs per Unit:</b>	\$	17,464	(\$2,724,425 /156 units)
<b>Estimated per Unit Cost:</b>	\$	85,725	(\$13,373,166 /156 units)
<b>Allocation per Unit:</b>	\$	39,103	(\$6,100,000 /156 units)
<b>Allocation per Restricted Rental Unit:</b>	\$	39,103	(\$6,100,000 /156 restricted units)

<b>Sources of Funds:</b>	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 6,100,000	\$ 5,400,000
Cash Flow from operation during rehab	\$ 174,193	\$ 174,193
Deferred Developer Fee	\$ 1,131,217	\$ 30,908
LIH Tax Credit Equity	\$ 771,561	\$ 2,571,870
Direct & Indirect Public Funds	\$ 5,000,110	\$ 5,000,110
Other	\$ 196,085	\$ 196,085
<b>Total Sources</b>	<b>\$ 13,373,166</b>	<b>\$ 13,373,166</b>

<b>Uses of Funds:</b>	
Acquisition Cost	\$ 6,098,264
Hard Construction Costs	\$ 2,724,425
Architect & Engineering Fees	\$ 320,500
Contractor Overhead & Profit	\$ 381,419
Developer Fee	\$ 1,409,500
Relocation	\$ 15,000
Cost of Issuance	\$ 403,845
Capitalized Interest	\$ 174,193
Other Soft Costs	\$ 1,846,020
<b>Total Uses</b>	<b>\$ 13,373,166</b>

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

The Project will be financed using a combination of sources of funding, which will include tax-exempt bonds, low-income housing tax credit equity, USDA Rural Development loan, cash flow from operations during rehab period, existing reserves and deferred developer fee. The tax-exempt bonds will carry a fixed interest rate, amortized for 40 years and a term of 40 years. The construction phase will be for a period of 24 months or less. 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 is Bellwether Real Estate Capital and the proposed private agent is Coventry Capital Group. In addition to the tax-exempt bonds, there is also hard debt service on the USDA Rural Development Loan. The interest rate on that loan is 1% and there is a 30-year term and 50-year amortization

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**Analyst Comments:**

N/A

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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:** 67.5 out of 128

[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$6,100,000 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	10
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	0
Leveraging	10	10	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	7.5
Service Amenities	10	10	0
New Construction	10	10	0
Sustainable Building Methods	8	8	0
Negative Points	-10	-10	0
<b>Total Points</b>	<b>128</b>	<b>108</b>	<b>67.5</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.