

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: Richard Fischer

Applicant: California Municipal Finance Authority

Allocation Amount Requested:
Tax-exempt: \$2,000,000

Project Information:
Name: Sunnyslope Apartments
Project Address: 6947 Mohawk Trail
Project City, County, Zip Code: Yucca Valley, San Bernardino, 92284

Project Sponsor Information:
Name: HPD Sunnyslope-Surewest, LP (Highland Property Development, LLC and National Housing Corporation, Inc.)
Principals: Gary P. Downs, Kristoffer J. Kaufmann, William E. Rice and Douglas B. Day for Highland Property Development LLC; Stephen J. Margetic, Barry I. Pessin and Gary M. Da Prato for National Housing Corporation, Inc.

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Private Placement Purchaser: JPMorgan Chase Bank, N.A.
TEFRA Hearing Date: February 8, 2011

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 32, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

A 33 Unit Acquisition and Rehabilitation apartment complex located within an established area of Yucca Valley. Access to near by parks, shopping and employment opportunities is enhanced with close by public transportation. After rehabilitation, the Project will be offering ten difficult to find affordable 3-bedroom apartments along with nine 2-bedrooms and thirteen 1-bedroom apartments.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
13% (4 units) restricted to 50% or less of area median income households.
88% (28 units) restricted to 60% or less of area median income households.
Unit Mix: 1, 2 & 3 bedrooms

This is a 100% affordable Project. Two 1-bedroom, one 2-bedroom and one 3-bedroom apartments at 50% of AMI and eleven 1-bedroom, eight 2-bedroom and nine 3-bedroom apartments at 60% of AMI. The Project will be providing High-Speed internet connection for each unit.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	4,047,558	
Estimated Hard Costs per Unit:	\$	25,781	(\$824,977 /32 units)
Estimated per Unit Cost:	\$	126,486	(\$4,047,558 /32 units)
Allocation per Unit:	\$	62,500	(\$2,000,000 /32 units)
Allocation per Restricted Rental Unit:	\$	62,500	(\$2,000,000 /32 restricted units)

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Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 2,000,000	\$ 1,600,000
Deferred Developer Fee	\$	\$ 306,871
LIH Tax Credit Equity	\$ 373,485	\$ 933,713
Direct & Indirect Public Funds	\$ 1,206,974	\$ 1,206,974
Total Sources	\$ 3,580,459	\$ 4,047,558
 Uses of Funds:		
Acquisition	\$ 1,815,000	
Rehabilitation Costs	\$ 953,700	
Relocation	\$	
Architectural	\$ 40,000	
Survey & Engineering	\$ 14,000	
Contingency Costs	\$ 82,500	
Construction Period Expenses	\$ 90,400	
Permanent Financing Expenses	\$ 52,280	
Legal Fees	\$ 198,720	
Capitalized Reserves	\$ 96,800	
Reports & Studies	\$ 46,000	
Other (Marketing, etc)	\$ 208,065	
Developer Costs	\$ 450,093	
Total Uses	\$ 4,047,558	

Description of Financial Structure and Bond Issuance:

The Project Partnership has obtained commitments from JPMorgan Chase, NA to purchase the tax-exempt bonds issued on the Property through a Private Placement Structure. Chase will purchase tax-exempt bonds from the date of issuance through completion of the renovation of the property. Then the debt held by Chase will be bought-down through equity proceeds and the remaining the Chase loan will be converted into a conventional permanent mortgage held by Bonneville Mortgage Company, with gurantees from the USDA Rural Development 538 program.

Analyst Comments:

This Project received an allocation in December of 2008. It was unable to issue bonds due to the market conditions and the unavailability of capital to proceed with the Project. The Project was granted a waiver in 2010 with no fees or penalties due to nonissuance.

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: 61.5 out of 118

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$2,000,000 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	26
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	7.5
Service Amenities	10	10	5
New Construction	10	10	0
Sustainable Building Methods	8	8	3
Negative Points	-10	-10	0
Total Points	118	98	61.5

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.