

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: Crystal Alvarez

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**Applicant:** California Housing Finance Agency

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**Allocation Amount Requested:**  
**Tax-exempt:** \$4,800,000

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**Project Information:**  
**Name:** Sun West Villas Apartments  
**Project Address:** 6971 Mohawk Trail  
**Project City, County, Zip Code:** Yucca Valley, San Bernardino, 92284

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**Project Sponsor Information:**  
**Name:** HPD Yucca Valely, L.P. (Highland Property Development, LLC and National Housing Corporation, Inc.)  
**Principals:** Kristoffer Kaumann, Douglas B. Day and Gary P. Downs for HPD Yucca Valley, LLC; Stephen Margetic and Gary M. Da Prato for National Housing Corporation

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**Project Financing Information:**  
**Bond Counsel:** Orrick, Herrington & Sutcliffe LLP  
**Underwriter:** Citibank, N.A / Freddie Mac  
**Credit Enhancement Provider:** Citibank, N.A / Freddie Mac  
**TEFRA Hearing Date:** February 9, 2011

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 49, plus 1 manager unit  
**Type:** Acquisition and Rehabilitation  
**Type of Units:** Family/Federally Assisted At-Risk

The project is At-Risk of being converted into a market rate rental property if the Section 8 Housing Assitance contract expires. The Sun West Villas Apartments is a 50 unit multifamily building constructed in 1984 and contains garden and townhouse-style units on a site of 4.97 acres. The rehabilitation work will include enhancement and replacement of common area features. The work will aslo include the replacement of unit kitchen and bathroom fixtures, cabinetry, appliances and flooring. Major building systems will also be replaced as needed. Residents are within close proximity to public transportation, Kasa Market and Desert Christ Park.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%  
10% (5 units) restricted to 50% or less of area median income households.  
90% (44 units) restricted to 60% or less of area median income households.  
**Unit Mix:** 2 & 3 bedrooms

The project is composed of 38 two-bedroom units of approximately 905 square feet and 11 three-bedroom units of approximately 1,221 square feet.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

<b>Estimated Total Development Cost:</b>	\$	6,892,295	
<b>Estimated Hard Costs per Unit:</b>	\$	35,714	(\$1,750,000 /49 units)
<b>Estimated per Unit Cost:</b>	\$	140,659	(\$6,892,295 /49 units)
<b>Allocation per Unit:</b>	\$	97,959	(\$4,800,000 /49 units)
<b>Allocation per Restricted Rental Unit:</b>	\$	97,959	(\$4,800,000 /49 restricted units)

<b>Sources of Funds:</b>	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 4,800,000	\$ 4,800,000
Deferred Developer Fee	\$ 0	\$ 405,793
LIH Tax Credit Equity	\$ 1,175,870	\$ 1,686,502
<b>Total Sources</b>	<b>\$ 5,975,870</b>	<b>\$ 6,892,295</b>

<b>Uses of Funds:</b>	
Acquisition	\$ 2,800,000
Rehabilitation Costs	\$ 2,023,000
Architectural	\$ 40,000
Survey & Engineering	\$ 14,000
Contingency Costs	\$ 175,000
Construction Period Expenses	\$ 203,300
Permanent Financing Expenses	\$ 90,000
Legal Fees	\$ 187,500
Capitalized Reserves	\$ 180,400
Reports & Studies	\$ 30,000
Other (Marketing, etc)	\$ 343,070
Developer Costs	\$ 806,025
<b>Total Uses</b>	<b>\$ 6,892,295</b>

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

The California Housing Finance Agency will issue bonds through the federal New Issue Bond Program. The project sponsor has obtained a commitment from Citibank, N.A., acting as a Seller/Service for the Federal Home Loan Mortgage Corporation "Fannie Mae" to purchase the tax-exempt bonds issued for the project through a Credit Enhancement structure under the Moderate Rehabilitation Program. The term of the loan will be for 30 years with a fixed interest rate.

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**Analyst Comments:**

Not Applicable.

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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:** 60.5 out of 128

[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$4,800,000 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	0
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	3
Negative Points	-10	-10	0
<b>Total Points</b>	<b>128</b>	<b>108</b>	<b>60.5</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.