

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**July 20, 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 Municipal Finance Authority

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**Allocation Amount Requested:**  
**Tax-exempt:** \$3,200,000

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**Project Information:**  
**Name:** Mendota Portfolio Apartments  
**Project Address:** 570 Derrick Ave., & 1000 2nd Street  
**Project City, County, Zip Code:** Mendota, Fresno, 93640

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

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**Project Financing Information:**  
**Bond Counsel:** Orrick, Herrington & Sutcliffe LLP  
**Private Placement Purchaser:** Rabobank (constr.)/Bellwether Real Estate Capital (perm.)  
**TEFRA Hearing Date:** April 12, 2011

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**Description of Proposed Project:**  
**State Ceiling Pool:** Rural  
**Total Number of Units:** 79, plus 2 manager units  
**Type:** Acquisition and Rehabilitation  
**Type of Units:** Family/Federally Assisted At-Risk

The proposed project is an existing multi-family residential community. The community was constructed in 1982 and 1990. The project consists of two apartment complexes (Countryway Apartments and Midland Manor Apartments) with a combined total of 14 buildings (seven on each site) and an aggregate total of 81 units, which includes two manager units. The unit mix consists of 1-, 2- and 3-bedroom unit types all restricted to households with incomes that are at or below 60% of the area median income. Constuction is expected to begin September 2011 and the project is projected to enter the market July 2012.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%  
32% (25 units) restricted to 50% or less of area median income households.  
68% (54 units) restricted to 60% or less of area median income households.  
**Unit Mix:** 1, 2 & 3 bedrooms

The proposed project will preserve 79 income and rent restricted units at-risk of losing affordability restriction.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

<b>Estimated Total Development Cost:</b>	\$	6,243,311	
<b>Estimated Hard Costs per Unit:</b>	\$	17,130	(\$1,353,248 /79 units)
<b>Estimated per Unit Cost:</b>	\$	79,029	(\$6,243,311 /79 units)
<b>Allocation per Unit:</b>	\$	40,506	(\$3,200,000 /79 units)
<b>Allocation per Restricted Rental Unit:</b>	\$	40,506	(\$3,200,000 /79 restricted units)

<b>Sources of Funds:</b>	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 3,200,000	\$ 1,365,000
Cash flow (during Rehab period)	\$ 0	\$ 141,617
Deferred Developer Fee	\$ 279,610	\$ 279,610
LIH Tax Credit Equity	\$ 0	\$ 1,526,063
Direct & Indirect Public Funds	\$ 2,763,701	\$ 2,763,701
Other	\$ 0	\$ 167,320
<b>Total Sources</b>	<b>\$ 6,243,311</b>	<b>\$ 6,243,311</b>

<b>Uses of Funds:</b>	
Acquisition Cost	\$ 2,882,000
Rehabilitation Costs	\$ 1,353,248
Architect & Engineering Fees	\$ 85,000
Contractor Overhead & Profit	\$ 189,455
Hard Cost Contingency	\$ 155,894
Developer Fee	\$ 663,429
Relocation	\$ 7,500
Cost of Issuance	\$ 215,060
Capitalized Interest	\$ 64,493
Other Soft Costs	\$ 627,232
<b>Total Uses</b>	<b>\$ 6,243,311</b>

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

The Project will be structured as a private placement transaction. It will be financed using a combination of sources of funding. The sources of funds will include tax-exempt bonds, low-income housing tax credit equity, USDA Rural Development loan, cash flow from operations during the rehabilitation period and deferred developer fee. The tax-exempt bonds will carry a fixed interest rate, amortization period of 40 years and a term of 40 years. The underwritten interest rate on the tax-exempt bonds is 5.87% (comprised of 5.75% rate listed on the commitment letter plus .12% issuer fee). The construction phase of the bonds will be for a period of 24 months or less. The bonds will have 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. On the loan, the interest rate is 1% and there is a 30-year term and 50-year amortization period.

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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:** 66.25 out of 128

[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$3,200,000 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	6.25
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>66.25</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.