

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: Crystal Alvarez

Applicant: California Municipal Finance Authority

Allocation Amount Requested:
Tax-exempt: \$3,300,000

Project Information:
Name: Huron Portfolio Apartments (Conquistador Villa and Huron Gardens)
Project Address: 16201 and 16400 Palmer Avenue
Project City, County, Zip Code: Huron, Fresno, 93234

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; Alan Jenkins, Sid McIntyre, Christina Alley, Jennifer Bertuccio, Steve Simmons and Renee Downum for Central Valley Coalition for Affordable Housing
Property Management Company: Teftra Property Management, LLC

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Bellwether Real Estate Capital
Credit Enhancement Provider: Rabobank (Construction) / Bellwether Real Estate Capital (Permanent)
TEFRA Hearing Date: March 16, 2011

Description of Proposed Project:
State Ceiling Pool: Rural
Total Number of Units: 74, plus 2 manager units
Type: Acquisition and Rehabilitation
Type of Units: Family/Federally Assisted At-Risk

The Huron Portfolio consists of two scattered site properties, the Huron Garden Apartments and the Conquistador Villa Apartments with an aggregate total of 76 existing units. The development amenities will include off-street parking, onsite management, laundry facilities and a playground. The unit amenities include central air conditioning, blinds and carpeting in all bedrooms and living rooms, vinyl floor coverings in kitchens and bathrooms.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
36% (27 units) restricted to 50% or less of area median income households.
64% (47 units) restricted to 60% or less of area median income households.
Unit Mix: 1, 2, 3 & 4 bedrooms

The Conquistador Villa Apartments site has a total of 37 rentals units with 23 three-bedroom units and 14 two-bedroom units. The Huron Garden Apartments site consist of 37 rental units with 4 one-bedroom units, 18 two-bedroom units, 12 three-bedroom units and 3 four-bedroom units.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

| | | | |
|---|----|-----------|------------------------------------|
| Estimated Total Development Cost: | \$ | 6,920,317 | |
| Estimated Hard Costs per Unit: | \$ | 16,977 | (\$1,256,265 /74 units) |
| Estimated per Unit Cost: | \$ | 93,518 | (\$6,920,317 /74 units) |
| Allocation per Unit: | \$ | 44,595 | (\$3,300,000 /74 units) |
| Allocation per Restricted Rental Unit: | \$ | 44,595 | (\$3,300,000 /74 restricted units) |

| Sources of Funds: | <u>Construction</u> | <u>Permanent</u> |
|--|---------------------|---------------------|
| Tax-Exempt Bond Proceeds | \$ 3,300,000 | \$ 1,785,000 |
| Cash Flow From Operations During Rehab | \$ 63,988 | \$ 97,500 |
| Deferred Developer Fee | \$ 111,665 | \$ 111,665 |
| LIH Tax Credit Equity | \$ 0 | \$ 1,481,488 |
| Direct & Indirect Public Funds | \$ 3,223,957 | \$ 3,223,957 |
| Existing Replacement Reserves | \$ 220,707 | \$ 220,707 |
| Total Sources | \$ 6,920,317 | \$ 6,920,317 |

| Uses of Funds: | |
|------------------------------------|---------------------|
| Acquisition Cost | \$ 3,570,000 |
| Hard Cost Contingency | \$ 144,722 |
| Hard Construction Costs | \$ 1,256,265 |
| Architect & Engineering Fees | \$ 85,000 |
| Contractor Overhead & Profit | \$ 175,877 |
| Developer Fee | \$ 738,111 |
| Relocation | \$ 7,500 |
| Cost of Issuance | \$ 215,060 |
| Capitalized Interest | \$ 64,493 |
| Other Soft Costs (Marketing, etc.) | \$ 663,289 |
| Total Uses | \$ 6,920,317 |

Description of Financial Structure and Bond Issuance:

The project will be financed using a combination of funding sources. The funding of the project will include tax-exempt bonds, low-income housing tax credit equity, a USDA Rural Development loan, cash flow from operations during the rehabilitation period and the deferred developer fee. The tax-exempt bonds will be privately placed with Rabobank, N.A. The construction loan will bear interest at the greater of LIBOR plus 3% or 5% for a term of 18 months. The permanent loan will carry a fixed interest rate, for a term of 15 years and amortized for over 30 years. The underwritten interest rate on the tax-exempt bonds is 5.87%.

Analyst Comments:

Not Applicable

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:

60 out of 128

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$3,100,000 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 | 0 |
| Large Family Units | 5 | 5 | 5 |
| Leveraging | 10 | 10 | 10 |
| Community Revitalization Area | 15 | 15 | 0 |
| Site Amenities | 10 | 10 | 0 |
| Service Amenities | 10 | 10 | 0 |
| New Construction | 10 | 10 | 0 |
| Sustainable Building Methods | 8 | 8 | 0 |
| Negative Points | -10 | -10 | 0 |
| Total Points | 128 | 108 | 60 |

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.