

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
November 16, 2011
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Sarah Lester

Applicant: California Statewide Communities Development Authority

Allocation Amount Requested:
Tax-exempt: \$4,100,000

Project Information:
Name: Mono Hilltop Apartments
Project Address: 750 Mono Street
Project City, County, Zip Code: Fresno, Fresno, 93706

Project Sponsor Information:
Name: Hampstead Mono Hilltop Partners, LP (Hampstead Mono Hilltop, LLC and Affordable Housing Solutions)
Principals: Chris Foster, Jeff Jallo and Greg Gossard for Hampstead Mono Hilltop, LLC; Emanuel DeFreitas, Wylie Allen and Bert Samuels for Affordable Housing Solutions
Property Management Company: James Hendricks and Associates, Inc.

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, N.A
TEFRA Hearing Date: September 23, 2011

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 59, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Senior Citizens/Federally Assisted At-Risk

The proposed project is an existing property located in the City of Fresno and comprised of a total of 60 units which includes one (1) manager unit and 59 restricted units (six (6) units restricted to households with incomes no greater than 50% of the area median income and 53 units restricted to household with income no greater than 60% of the area median income). The project intends to serve senior residents. The property was built in 1981 and is comprised of an existing HUD-subsidized project-based Section 8 property. Much of the rehabilitation is to major systems and exterior items that will not directly hinder the daily lives of the residents. Construction is expected to begin in March 2012 and be completed 12 months later.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
10% (6 units) restricted to 50% or less of area median income households.
90% (53 units) restricted to 60% or less of area median income households.
Unit Mix: 1 bedroom

The project will include a bona fide service coordinator/social worker.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	5,478,880	
Estimated Hard Costs per Unit:	\$	18,374	(\$1,084,075 /59 units)
Estimated per Unit Cost:	\$	92,862	(\$5,478,880 /59 units)
Allocation per Unit:	\$	69,492	(\$4,100,000 /59 units)
Allocation per Restricted Rental Unit:	\$	69,492	(\$4,100,000 /59 restricted units)

Sources of Funds:	<u>Construction</u>		<u>Permanent</u>	
Tax-Exempt Bond Proceeds	\$	4,100,000	\$	3,446,179
Developer Equity	\$	113,539	\$	103,360
LIH Tax Credit Equity	\$	900,000	\$	1,564,000
Other	\$	365,341	\$	365,341
Total Sources	\$	5,478,880	\$	5,478,880
Uses of Funds:				
Acquisition Cost	\$	2,500,000		
Hard Construction Costs	\$	1,084,079		
Architect & Engineering Fees	\$	81,057		
Contractor Overhead & Profit	\$	73,873		
Developer Fee	\$	582,891		
Relocation	\$	90,000		
Cost of Issuance	\$	245,700		
Capitalized Interest	\$	239,771		
Other Soft Costs (Marketing, etc.)	\$	581,509		
Total Uses	\$	5,478,880		

Description of Financial Structure and Bond Issuance:

The proposed project will be structured utilizing a private placement tax-exempt bond purchase provided by Citibank, N.A. and 4% tax credit equity. The proceeds from the issuance of \$4,100,000 in tax-exempt bonds will serve both as the permanent and construction loans. A portion of the bonds totaling approximately \$653,000 will be structured as short-term bonds to be repaid by the tax credit equity at stabilization. The construction term will be 12 months to completion and three months to stabilization with an option to extend up to nine additional months. During construction the loan will be variable and based off of SIFMA plus 300 bps. The letter requires an additional 1.5% cushion for underwriting purposes. The outside closing date on the loan is April 30, 2012. The remaining \$3,446,000 will be converted to permanent non-recourse debt upon stabilization. The permanent loan will be amortized over 35 years from conversion and carry a fixed rate currently estimated at 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: 70.5 out of 128

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$4,100,000 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	25
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	10
Site Amenities	10	10	7.5
Service Amenities	10	10	5
New Construction	10	10	0
Sustainable Building Methods	8	8	8
Negative Points	-10	-10	0
Total Points	128	108	70.5

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.