Agenda Item No. 9.5
Application No. 12-045

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 16, 2012
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Sarah Lester

Applicant: California Municipal Finance Authority

Allocation Amount Requested:

Tax-exempt:	$13,799,000

Project Information:

Name:	**Fargo Senior Center Apartments**
Project Address:	868 Fargo Avenue
Project City, County, Zip Code:	San Leandro, Alameda, 94579

Project Sponsor Information:

Name:	Fargo Senior Center, LP (Fargo Senior Center Housing, LLC)
Principals:	Don Stump
Property Management Company:	Christian Church Homes Management Services (CCHMS)

Project Financing Information:

Bond Counsel:	Jones Hall, A Professional Law Corporation
Underwriter:	Not Applicable
Credit Enhancement Provider:	Not Applicable
Private Placement Purchaser:	JPMorgan Chase Bank, N.A.
TEFRA Hearing Date:	April 16, 2012

Description of Proposed Project:

State Ceiling Pool:	General
Total Number of Units:	73, plus 2 manager units
Type:	Acquisition and Rehabilitation
Type of Units:	Senior Citizens

The proposed acquisition and rehabilitation project is an existing 75-unit senior housing facility built on 2.19 acres of land and located in the City of San Leandro. The facility was originally built in 1971 under the HUD 236 program. The project is comprised of four residental buildings and there are 29 Section 8 subsidized units included in the 75 total units. Of the 75 units, 73 will be restricted to households with incomes no greater than 50% of the area median income and the remaining two (2) will be manager units. The unit configuration will consist of 45 studio units and 28 one-bedroom units. Rehabilitation is anticipated to commence in July 2012 and will completed within 18 months or by January 2014.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

100% (73 units) restricted to 50% or less of area median income households.

Unit Mix: Studio & 1 bedroom

The proposed project will provide health and wellness services and programs; and a bona fide service coordinator/social worker for ten (10) years.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	$	22,240,915	
Estimated Hard Costs per Unit:	$	133,127	($9,718,252 /73 units)
Estimated per Unit Cost:	$	304,670	($22,240,915 /73 units)
Allocation per Unit:	$	189,027	($13,799,000 /73 units)
Allocation per Restricted Rental Unit:	$	189,027	($13,799,000 /73 restricted units)

Sources of Funds:	Construction		Permanent	
Tax-Exempt Bond Proceeds	$	13,799,000	$	0
Deferred Developer Fee	$	1,382,500	$	1,382,500
LIH Tax Credit Equity	$	327,167	$	8,633,340
Direct & Indirect Public Funds	$	0	$	5,205,466
Other (Seller Carryback Loan)	$	4,765,616	$	4,765,616
Other (Seller Land Grant)	$	799,677	$	799,677
Other (Existing Project Reserves)	$	365,293	$	365,293
Other (Accrued/Deferred Interest)	$	274,023	$	274,023
Other (FHLB AHP Funds)	$	0	$	750,000
Other (Income from Operations)	$	0	$	65,000
Total Sources	$	21,713,276	$	22,240,915

Uses of Funds:		
Acquisition Cost	$	6,365,293
On & Off Site Costs	$	1,115,340
Hard Construction Costs	$	8,602,912
Architect & Engineering Fees	$	406,250
Contractor Overhead & Profit	$	477,086
Developer Fee	$	2,500,000
Relocation	$	735,643
Cost of Issuance	$	310,903
Capitalized Interest	$	791,629
Other Soft Costs (Marketing, etc.)	$	935,859
Total Uses	$	22,240,915

Description of Financial Structure and Bond Issuance:

The financial structure of the proposed project will be a private placement transaction. JPMorgan Chase Bank, N.A. will directly purchase the bonds and provide a construction loan. Upon conversion to permanent financing, the bond proceeds will be redeemed from Low-Income Housing Tax Credit equity and HCD Multifamily Housing Program loan funds. There will be no permanent tax-exempt bond debt on the project. The bonds will be floating rate, based on 1.25% over 30-day LIBOR multiplied by the Bank's tax-exempt equivalent factor (approximately 71%). The maturity will be 24-months with one 6-month extension option. The bonds will be secured by a first deed of trust, and will be recourse to the borrower during construction.

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: 76 out of 130

[See Attachment A**]**

Recommendation:

Staff recommends that the Committee approve $13,799,000 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	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	10
Service Amenities	10	10	10
New Construction	10	10	0
Sustainable Building Methods	10	10	6
Negative Points	-10	-10	0
Total Points	**130**	**100**	**76**

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.