Agenda Item No. 8.11
Application No. 13-047

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 15, 2013
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:	$7,480,000
Project Information:	
Name:	**Plaza Mendoza Apartments**
Project Address:	1725 N. Marks Avenue
Project City, County, Zip Code:	Fresno, Fresno, 93722
Project Sponsor Information:	
Name:	Plaza Mendoza Housing, LP (Plaza Mendoza Housing, LLC)
Principals:	Paul F. Chavez, Manuel H. Bernal and Paul S. Park
Property Management Company:	Cesar Chavez Foundation
Project Financing Information:	
Bond Counsel:	Kutak Rock LLP
Underwriter:	Not Applicable
Credit Enhancement Provider:	Not Applicable
Private Placement Purchaser:	Citibank, N.A.
TEFRA Hearing Date:	December 10, 2012
Description of Proposed Project:	
State Ceiling Pool:	General
Total Number of Units:	130, plus 2 manager units
Type:	Acquisition and Rehabilitation
Type of Units:	Family

The proposed project is an existing residential property located in the City and County of Fresno. It is comprised of 35 wood-frame one-story structures that were constructed in 1978. There are a total of 132 units (130 restricted units and two (2) manager units), of which 20 are studio units, 24 one-bedroom units, 85 two-bedroom units, one (1) one-bedroom unit and one (1) two-bedroom and three-bedroom unit each that will be utilized as an office and an employee unit, respectively. The property also offers two large swimming pools, two laundry facilities, covered parking, and a small community room. The project is situated on 7.61 acres. All the untis will be LIHTC-restricted, 39 units will be offered to households earning 50% of the Area Median Income and 91 units will be offered to households earning 60% of ther Area Median Income. Construction is expected to begin August 2013 and anticipated to be completed April 2014.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

30% (39 units) restricted to 50% or less of area median income households.

70% (91 units) restricted to 60% or less of area median income households.

Unit Mix: 1, 2 & 3 bedrooms

The proposed project will include after school programs and instructor-led educational, health and wellness or skill building classes as services amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	$	14,071,109	
Estimated Hard Costs per Unit:	$	26,868	($3,492,800 /130 units)
Estimated per Unit Cost:	$	108,239	($14,071,109 /130 units)
Allocation per Unit:	$	57,538	($7,480,000 /130 units)
Allocation per Restricted Rental Unit:	$	57,538	($7,480,000 /130 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	$ 7,480,000	$ 4,694,000
Deferred Developer Fee	$ 0	$ 991,300
Developer Equity	$ 100	$ 100
LIH Tax Credit Equity	$ 573,231	$ 3,821,541
Direct & Indirect Public Funds	$ 4,105,968	$ 4,264,968
Other (Operating Reserves)	$ 299,200	$ 299,200
Total Sources	$ 12,458,499	$ 14,071,109

Uses of Funds:	
Acquisition/Land Purchase	$ 6,206,000
Hard Construction Costs	$ 3,492,800
Architect & Engineering Fees	$ 274,226
Contractor Overhead & Profit	$ 494,231
Developer Fee	$ 1,639,967
Relocation	$ 167,740
Cost of Issuance	$ 267,120
Other Soft Costs (Marketing, etc.)	$ 1,529,025
Total Uses	$ 14,071,109

Description of Financial Structure and Bond Issuance:

The financial structure of the proposed project will be a private placement transaction provided by Citibank, N.A. ("the Bank"). It is anticipated the there will be a construction loan of $7,480,000 that will then be paid down with equity from the tax credit investor for a permanent loan of approximately $4,694,000. The construction financing is expected to close on the closing date in July 2013. In addition, the Bank will purchase the bonds and arrange for the sale of the bonds to a private purchaser or another institutional investor. The tax-exempt bonds will be issued by the California Statewide Communities Development Authority (CSCDA). The tax-exempt loan to CSCDA will have two tranches: Tranche A will be funded first and will provide construction-permanent phase financing. Tranche B will be for additional, construction phase only financing. The construction phase will be for a term 24 months, plus one 6-month extension with a rate equal to the SIFMA Municipal Swap Index plus a spread of 2.75%. The loan term during the permanent phase will be for 30 years amortized for 35 years and will have a fixed interest rate equal to the sum of 17 year maturity "AAA" bond rates published by Thompson Municipal Market Monitor ("MMD") plus a spread of 2.50%.

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: 60.5 out of 130

[See Attachment A**]**

Recommendation:

Staff recommends that the Committee approve $7,480,000 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	0
Community Revitalization Area	15	15	0
Site Amenities	10	10	2.5
Service Amenities	10	10	10
New Construction	10	10	0
Sustainable Building Methods	10	10	8
Negative Points	-10	-10	0
Total Points	**130**	**100**	**60.5**

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.