

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 11, 2013
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Sarah Lester

Applicant: California Housing Finance Agency

Allocation Amount Requested:
Tax-exempt: \$12,000,000

Project Information:
Name: Mountain Breeze Villas Apartments
Project Address: 25942 E. Baseline Street
Project City, County, Zip Code: Highland, San Bernardino, 92410

Project Sponsor Information:
Name: Mountain Breeze Villas, LP (Mountain Breeze GP, LLC; and
Hearthstone Housing Foundation)
Principals: Danielle Curls Bennette, Deanna Curls and Nicole Lewis for
Alliance Property Group, Inc.; Socorro Vasquez, Juan
Maldonado, and Velma de la Rosa for Hearthstone Housing
Foundation
Property Management Company: The John Stewart Company

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: California Housing Finance Agency
Credit Enhancement Provider: US Dept of Housing and Urban Development
Private Placement Purchaser: California Housing Finance Agency
TEFRA Hearing Date: August 27, 2013

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 167, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

The proposed project is an existing 168-unit multifamily development that consists of 56 one-bedroom units and 111 two-bedroom units restricted to households earning 35, 50 and 60 percent of the area median income (AMI). The development is comprised of nine (9) two-story buildings and one single-story pool house. It should be noted that the developer plans to apply for an additional subsidy for the 20 one-bedroom units at 30 percent AMI. These units will target adults with severe mental illness, as defined in the Mental Health Stability Act (MSHA), who among other things, may be homeless or are at risk of homelessness. The project is approximately 331,927 square feet, or 7.62 acres in the City of Highland, County of San Bernardino. The project was originally constructed in 1987. The scope of rehabilitation will include new cabinets and countertops, new appliances, new windows and sliding doors, new plumbing and electrical fixtures, interior painting, flooring, new interior and exterior doors and hardware. Site and building exterior renovations include: landscaping, renovated community room and kitchen, new counseling room and computer lab. The developer's estimated completion date is November 2014.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
19% (32 units) restricted to 50% or less of area median income households.
81% (135 units) restricted to 60% or less of area median income households.
Unit Mix: 1 & 2 bedrooms

No service amenities will be included in the proposed project.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 18,543,633
Estimated Hard Costs per Unit: \$ 18,108 (\$3,024,000 /167 units)
Estimated per Unit Cost: \$ 111,052 \$18,545,633 /167 units)
Allocation per Unit: \$ 71,856 (\$12,000,000 /167 units)
Allocation per Restricted Rental Unit: \$ 71,856 (\$12,000,000 /167 restricted units)

| Sources of Funds: | Construction | Permanent |
|--------------------------------|----------------------|----------------------|
| Tax-Exempt Bond Proceeds | \$ 12,000,000 | \$ 8,385,000 |
| Developer Equity | \$ 0 | \$ 38,902 |
| Deferred Developer Fee | \$ 0 | \$ 1,529,873 |
| LIH Tax Credit Equity | \$ 500,000 | \$ 4,997,232 |
| Direct & Indirect Public Funds | \$ 2,933,300 | \$ 2,933,300 |
| Other (Income During Rehab) | \$ 661,326 | \$ 661,326 |
| Total Sources | \$ 16,094,626 | \$ 18,545,633 |

| Uses of Funds: | |
|------------------------------------|----------------------|
| Acquisition/Land Purchase | \$ 10,080,150 |
| Hard Construction Costs | \$ 3,024,000 |
| Architect & Engineering Fees | \$ 138,301 |
| Contractor Overhead & Profit | \$ 241,920 |
| Developer Fee | \$ 1,529,783 |
| Relocation | \$ 252,000 |
| Capitalized Interest | \$ 540,000 |
| Other Soft Costs (Marketing, etc.) | \$ 2,739,479 |
| Total Uses | \$ 18,545,633 |

Description of Financial Structure and Bond Issuance:

The financial structure of the proposed project will be a credit-enhanced transaction provided by the California Housing Finance Agency ("CalHFA") under a risk sharing agreement with the U.S. Department of Housing and Urban Development ("HUD") to achieve an "Aaa" or "Aa" rating. The interest rate lock date shall be prior to November 12, 2013. The bonds will be issued by the CalHFA.

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:

72 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$12,000,000 in tax exempt bond allocation on a carryforward basis.

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 | 29 |
| 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 | 15 |
| Site Amenities | 10 | 10 | 10 |
| Service Amenities | 10 | 10 | 0 |
| New Construction | 10 | 10 | 0 |
| Sustainable Building Methods | 10 | 10 | 3 |
| Negative Points | -10 | -10 | 0 |
| Total Points | 130 | 100 | 72 |

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.