

**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*

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**Applicant:** California Statewide Communities Development Authority

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**Allocation Amount Requested:**  
**Tax-exempt:** \$11,000,000

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**Project Information:**  
**Name:** Minerva Manor Apartments  
**Project Address:** 9972 Juniper Avenue  
**Project City, County, Zip Code:** Fontana, San Bernardino, 92335-6644

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**Project Sponsor Information:**  
**Name:** EHD0C Senior Apartments I, LP (EHD0C Senior Apartments I Corporation)  
**Principals:** Morton Bahr, Edward Romero, Leo W. Gerard, Erica Schmelzer, Maria C. Cordone and Steve Protulis  
**Property Management Company:** Quality Management Group and Elderly Housing Development & Operations Corporation

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**Project Financing Information:**  
**Bond Counsel:** Orrick, Herrington & Sutcliffe LLP  
**Underwriter:** Not Applicable  
**Credit Enhancement Provider:** Not Applicable  
**Private Placement Purchaser:** U.S. Bank (constr.) and California Community Reinvestment Corporation (perm)  
**TEFRA Hearing Date:** October 22, 2013

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 62, plus 1 manager unit  
**Type:** New Construction  
**Type of Units:** Senior Citizens

The proposed project is a new construction 63-unit senior apartment project planned on approximately 3.3 acres of land located in the City of Fontana, County of San Bernardino. The site required the demolition of two single-story wood frame homes. The target population will be seniors over the age of 55. The project will consist of a three-story garden style building comprised of 50 one-bedroom units (750 sf) and 13 two-bedroom units (1,100 sf), of which, one will be a manager unit. All units will have spacious balconies or terraces with storage closets. The property will have 106 surface parking spaces, including 92 covered spaces. According to the application, the project will pursue California's GreenPoint Rated certification. The building will be U shaped with two elevators, one each located at the inside corners of the U for convenient access for seniors to access the buildings and their apartments. Construction is expected to commence on April 2014, take approximately 14 months, and be completed and placed in service approximately June 2015.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%  
11% (7 units) restricted to 50% or less of area median income households.  
89% (55 units) restricted to 60% or less of area median income households.  
**Unit Mix:** 1 & 2 bedrooms

No service amenities will provided for the proposed project.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

**Estimated Total Development Cost:** \$ 19,908,028  
**Estimated Hard Costs per Unit:** \$ 146,154 (\$9,061,578 /62 units)  
**Estimated per Unit Cost:** \$ 321,097 (\$19,908,028 /62 units)  
**Allocation per Unit:** \$ 177,419 (\$11,000,000 /62 units)  
**Allocation per Restricted Rental Unit:** \$ 177,419 (\$11,000,000 /62 restricted units)

<b>Sources of Funds:</b>	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 11,000,000	\$ 2,454,159
Deferred Developer Fee	\$ 0	\$ 827,504
LIH Tax Credit Equity	\$ 70,264	\$ 7,026,365
Direct & Indirect Public Funds	\$ 7,237,765	\$ 8,000,000
Other (increased land value over costs)	\$ 1,600,000	\$ 1,600,000
<b>Total Sources</b>	<b>\$ 19,908,029</b>	<b>\$ 19,908,028</b>

<b>Uses of Funds:</b>	
Acquisition/Land Purchase	\$ 3,100,000
On & Off Site Costs	\$ 1,170,032
Hard Construction Costs	\$ 7,891,546
Architect & Engineering Fees	\$ 459,310
Contractor Overhead & Profit	\$ 690,582
Developer Fee	\$ 2,011,211
Cost of Issuance	\$ 172,000
Capitalized Interest	\$ 551,200
Other Soft Costs (Marketing, etc.)	\$ 3,763,147
<b>Total Uses</b>	<b>\$ 19,809,028</b>

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**Description of Financial Structure and Bond Issuance:**

The proposed project will be a private placement transaction. Construction financing will be provided by US Bank in the amount of \$11,000,000. The construction phase will be for a term of 24 months with one six (6) month option to extend. The bonds will carry a floating interest rate equal to 30-Day LIBOR plus 225 basis points. Repayment during this phase will be monthly interest-only payments. Permanent financing will be provided by California Community Reinvestment Corporation (CCRC) in the amount of \$2,454,159. The permanent phase will be for a term of 15 years with a 30 year amortization period. According to the application, the interest rate during this phase is an indicative rate as of October 2, 2013 for a 24 month forward commitment/rate lock and is equal to the greatest of 5.50% or the 15-year muni bond index plus 175 bps fixed for 15 years. Indicative rate is 5.50%. The actual interest rate will be determined at time of final underwriting and locked 10 days prior to construction bond closing. The Fontana Housing Authority is a subordinate lender on the property, investing approximately \$6.5 million in capital, plus the land in the project. Fontana purchased the land in October 2013 for approximately \$1.5 million and owns it. The bonds will be issued by the California Statewide Communities Development Authority.

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**Analyst Comments:**

Not Applicable

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**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.

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**Total Points:** 66 out of 130

[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$11,000,000 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	26
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	0
New Construction	10	10	10
Sustainable Building Methods	10	10	5
Negative Points	-10	-10	0
<b>Total Points</b>	<b>130</b>	<b>100</b>	<b>66</b>

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.