

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**July 16, 2014**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Brian Clark*

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**Applicant:** California Municipal Finance Authority

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**Allocation Amount Requested:**  
**Tax-exempt:** \$3,500,000

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**Project Information:**  
**Name:** Avila Avenue Apartments II  
**Project Address:** NW corner of Avila Ave. & Parlier Ave.  
**Project City, County, Zip Code:** Parlier, Fresno, 93648

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**Project Sponsor Information:**  
**Name:** Parlier Avila Associates II, LP (Housing Alternatives, Inc.)  
**Principals:** Elva. L Grant, Carmella Badalyan & Joe Rios for Housing Alternatives, Inc.  
**Property Management Company:** Buckingham Property Management

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**Project Financing Information:**  
**Bond Counsel:** Orrick, Herrington & Sutcliffe LLP  
**Underwriter:** Not Applicable  
**Credit Enhancement Provider:** Not Applicable  
**Private Placement Purchaser:** Rabobank, NA  
**TEFRA Adoption Date:** June 4, 2014

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**Description of Proposed Project:**  
**State Ceiling Pool:** Rural  
**Total Number of Units:** 23, plus 1 manager unit  
**Type:** New Construction  
**Type of Units:** Family

The proposed rural family project will be constructed on a 2.2 acre lot located at the northwest corner of Avila Ave. & Parlier Ave. in Parlier, CA. The project will be located just west of Avilar Avenue Apartments Phase I, completed in November 2012. The project will consist of 3 two-story buildings housing two and three-bedroom garden-style apartments. All units will be income restricted and will feature central heat/air conditioning, blinds, carpeting, exhaust fan, refrigerator, dishwasher, garbage disposal, stove, covered patio or balcony and laundry hook-ups. The project will be integrated with the existing Phase I and oriented to share 59 covered and uncovered parking spaces and the following amenities: playground, pool, barbecue & picnic area and a community building housing management & maintenance offices, computer learning center, exercise room, TV room, communal kitchen and a laundry facility. Construction is anticipated to last 12 months.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%  
91% (21 units) restricted to 50% or less of area median income households.  
9% (2 units) restricted to 60% or less of area median income households.  
**Unit Mix:** 2 & 3 bedrooms

There are no service amenities.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

<b>Estimated Total Development Cost:</b>	\$	6,021,161	
<b>Estimated Hard Costs per Unit:</b>	\$	148,262	(\$3,410,024 /23 units)
<b>Estimated per Unit Cost:</b>	\$	261,790	(\$6,021,161 /23 units)
<b>Allocation per Unit:</b>	\$	152,174	(\$3,500,000 /23 units)
<b>Allocation per Restricted Rental Unit:</b>	\$	152,174	(\$3,500,000 /23 restricted units)

<b>Sources of Funds:</b>	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 3,500,000	\$ 250,000
Deferred Developer Fee	\$ 789,431	\$ 261,716
LIH Tax Credit Equity	\$ 378,333	\$ 1,756,048
Direct & Indirect Public Funds	\$ 1,353,397	\$ 3,753,397
<b>Total Sources</b>	<b>\$ 6,021,161</b>	<b>\$ 6,021,161</b>

<b>Uses of Funds:</b>	
Acquisition/Land Purchase	\$ 5,000
On & Off Site Costs	\$ 576,000
Hard Construction Costs	\$ 2,834,024
Architect & Engineering Fees	\$ 370,000
Contractor Overhead & Profit	\$ 451,502
Developer Fee	\$ 757,514
Cost of Issuance	\$ 223,381
Capitalized Interest	\$ 70,000
Other Soft Costs (Marketing, etc.)	\$ 733,740
<b>Total Uses</b>	<b>\$ 6,021,161</b>

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

The construction bonds will be purchased as a private placement transaction with Rabobank, N.A. in the amount of \$3,500,000 for a term of 24 months. During construction phase, the bonds will be interest-only at a variable rate equal to the greater of one month LIBOR plus 2.50% or 4.50%. The bond proceeds will be escrowed with a bond trustee and will be drawn down on a monthly basis. Upon conversion to permanent phase, the bonds will be paid down to \$250,000 and will bear interest at a fixed rate equal to the greater of the 10-year Treasury Rate as of the closing date plus 2.50% or 7.00%. Permanent financing will be amortized over 30 years with a 15 year term. Collateral will be in the form of a first position deed of trust and assignment of rents.

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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:** 75 out of 130  
[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$3,500,000 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	5
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	0
Negative Points	-10	-10	0
<b>Total Points</b>	<b>130</b>	<b>100</b>	<b>75</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.