

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
September 17, 2014
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Brian Clark

Applicant: California Statewide Communities Development Authority

Allocation Amount Requested:
Tax-exempt: \$3,525,000

Project Information:
Name: Montclair Apartments
Project Address: 150 South 19th Avenue
Project City, County, Zip Code: Lemoore, Kings, 93245

Project Sponsor Information:
Name: Montclair Lemoore AR, LP (Foundation for Affordable Housing V, Inc. & HCHP Affordable Multi-Family, LLC)
Principals: Deborah Willard & Darrin Willard for Foundation for Affordable Housing V, Inc.; Michael A. Costa, Robert W. Tetrault, Thomas E. Erickson & Judy Dossen for HCHP Affordable Multi-Family, LLC
Property Management Company: ConAm Management Company

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: America First Tax Exempt Investors, LP
TEFRA Adoption Date: July 15, 2014

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 79, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

The Project, constructed in 1999, is located on approximately 6.82 acres in a medium-density mixed residential and commercial area of Lemoore. The Project is comprised of a community building, a 173 space parking lot and 35 single-story garden-style residential buildings housing 32 two-bedroom units, 47 three-bedroom units and a single three-bedroom manager's unit. All tenent units will be income restricted; 32 units at 50% AMI and 47 units at 60% AMI. All units have window coverings, carpeting, central heat/AC, ceiling fans, coat closet, washer/dryer hookups, dishwasher, garbage disposal, stove and refrigerator. Community amenities include courtyard/picnic area, laundry facility, playground, swimming pool and a community building housing on-site management, a community room, kitchen and a computer lab. Rehabilitation will include replacing units' water heaters, kitchen appliances and ductwork. Rehabilitation will also include roofing tear-off & replacement, tree removal, replacement of the community building's security doors, parking lot repair, exterior painting and crack repair and fencing of pool equipment. Rehabilitation is slated to begin in the first quarter of 2015 and be completed in the second quarter of 2015.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
41% (32 units) restricted to 50% or less of area median income households.
59% (47 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:

Estimated Total Development Cost:	\$	5,403,010	
Estimated Hard Costs per Unit:	\$	10,663	(\$842,400 /79 units)
Estimated per Unit Cost:	\$	68,393	(\$5,403,010 /79 units)
Allocation per Unit:	\$	44,620	(\$3,525,000 /79 units)
Allocation per Restricted Rental Unit:	\$	44,620	(\$3,525,000 /79 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 3,525,000	\$ 2,388,437
Deferred Developer Fee	\$ 0	\$ 566,950
LIH Tax Credit Equity	\$ 89,420	\$ 1,342,283
Seller Note	\$ 1,008,111	\$ 1,008,111
Other (Income during rehab/deferred costs)	\$ 780,479	\$ 97,229
Total Sources	\$ 5,403,010	\$ 5,403,010

Uses of Funds:	
Acquisition/Land Purchase	\$ 3,320,000
Hard Construction Costs	\$ 842,400
Architect & Engineering Fees	\$ 48,625
Contractor Overhead & Profit	\$ 112,000
Developer Fee	\$ 596,789
Cost of Issuance	\$ 105,846
Capitalized Interest	\$ 81,516
Other Soft Costs (Marketing, etc.)	\$ 295,834
Total Uses	\$ 5,403,010

Description of Financial Structure and Bond Issuance:

The bonds will be purchased as a private placement transaction by America First Multifamily Investors, LP. The construction phase will be for a period of 24 months, during which the loan payments will be interest only. The bonds will be in two series: Series A (senior bonds) will total \$2,388,437 and bear interest at a fixed rate of 5.75%; Series B (subordinate bonds) will total \$1,136,563 and bear interest at a rate fixed of 5.5%. Upon conversion to permanent phase, any remaining tax equity will be funded and the loan sized to the lesser of 85% loan-to-value or 1.15 to 1 debt coverage ratio. It is anticipated that the permanent loan will total \$2,388,437. Permanent financing will be amortized over 35 years with a 40 year term. The bonds will be secured by a first deed of trust and an assignment of leases, rents and other income. Bond closing is anticipated to take place in December 2014.

Analyst Comments:

Negative 10 points: CDLAC file no.12-157, New Seasons Apartments. Sponsor reverted full amount of allocation. Foundation for Affordable Housing V, Inc. is partner of sponsor in 12-175 & in subject project.

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: 55 out of 130
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$3,525,000 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]	10
Gross Rents	5	5	5
Large Family Units	5	5	5
Leveraging	10	10	0
Community Revitalization Area	15	15	0
Site Amenities	10	10	10
Service Amenities	10	10	0
New Construction	10	10	0
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	-10
Total Points	130	100	55

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.