

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
September 16, 2020
Staff Report
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT**

Prepared by: Chee Thao Yang

Applicant: California Municipal Finance Authority

Allocation Amount Requested: Tax-exempt: \$5,700,000

Project Information:
Name: Walnut Apartments
Project Address: 311 E. Walnut Street
Project City, County, Zip Code: Fort Bragg, Mendocino, 95437

Project Sponsor Information:
Name: DFA Walnut Associates LP (DFA Walnut LLC; Building Better Neighborhoods, Inc.)
Principals: Daniel Fred & Christopher Flaherty for DFA Walnut LLC; Todd L. Crabtree for Building Better Neighborhoods, Inc.
Property Management Company: FPI Management

Project Financing Information:
Bond Counsel: Quint & Thimmig LLP
Private Placement Purchaser: Not Applicable
Cash Flow Permanent Bond: Not Applicable
Public Sale: Unenhanced
Underwriter: Stifel, Nicolaus & Company
Credit Enhancement Provider: Not Applicable
Rating: AAA

Description of Proposed Project:
State Ceiling Pool: Rural
Total Number of Units: 56
Manager's Units: 1 Unrestricted
Type: Acquisition and Rehabilitation
Population Served: Family

Walnut Apartments is an existing project located in Fort Bragg on a 3.37-acre site. The project consists of 47 restricted rental units, 8 market rate units and 1 unrestricted manager unit. The project has 24 one-bedroom units, 26 two-bedroom units and 4 three-bedroom units. The renovations will include building exterior upgrades. Building exterior renovations will consist of siding replacements, roof replacements, paint, landscaping, and repair and replacement of fencing. Individual apartment units will be updated with new cabinets, energy star appliance packages, toilets, bath surrounds, LED lighting, new doors as needed, replacement of bathroom ventilations fans and paint. Lastly, common or site area renovations will consist of ADA upgrades and replacement of trash enclosure. The rehabilitation is expected to begin in January 2021 and be completed in January 2022.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 85%

40% (22 units) restricted to 50% or less of area median income households.

45% (25 units) restricted to 60% or less of area median income households.

Unit Mix: 1, 2 & 3 bedrooms

The proposed project will be receiving service amenity points.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 11,572,654	
Estimated Hard Costs per Unit:	\$ 62,582	(\$3,504,583 /56 units including mgr. unit)
Estimated per Unit Cost:	\$ 206,655	(\$11,572,654 /56 units including mgr. unit)
Allocation per Unit:	\$ 101,786	(\$5,700,000 /56 units including mgr. unit)
Allocation per Restricted Rental Unit:	\$ 121,277	(\$5,700,000 /47 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 5,700,000	\$ 5,700,000
LIH Tax Credit Equity	\$ 835,920	\$ 3,342,846
Deferred Developer Fee	\$ 0	\$ 552,656
Solar Equity - CREA	\$ 0	\$ 26,700
Post Construction Sources	\$ 1,586,282	\$ 0
USDA - Rural Development 515 Loan	\$ 1,950,452	\$ 1,950,452
Bonneville Gap Loan	\$ 1,500,000	\$ 0
Bonneville Multifamily Capital USDA-538	\$ 0	\$ 0
Total Sources	\$ 11,572,654	\$ 11,572,654

Uses of Funds:	
Land Cost/Acquisition	\$ 3,600,000
Rehabilitation	\$ 3,727,243
Relocation	\$ 200,000
Contractor Overhead & Profit	\$ 367,981
Architectural Fees	\$ 125,000
Survey and Engineering	\$ 20,000
Construction Interest and Fees	\$ 561,178
Permanent Financing	\$ 134,300
Legal Fees	\$ 125,000
Reserves	\$ 513,294
Appraisal	\$ 12,000
Hard Cost Contingency	\$ 409,522
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 615,360
Developer Costs	\$ 1,161,776
Total Uses	\$ 11,572,654

Analyst Comments:

None

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:

120 out of 145 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$5,700,000 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
Preservation Project	20	20	0
Exceeding Minimum Income Restrictions:	35	15	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	10
Large Family Units	5	5	0
Gross Rents	5	5	5
Leveraging	10	10	10
Community Revitalization Area	5	5	0
Site Amenities	10	10	10
Service Amenities	10	10	10
New Construction or Substantial Renovation	10	10	10
Sustainable Building Methods	10	10	10
Forgone Eligible Developer Fee (Competitive Allocation Process Only)	10	10	10
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	10
Negative Points (No Maximum)	-10	-10	0
Total Points	145	125	120