

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**September 28, 2011**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Crystal Alvarez*

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**Applicant:** California Municipal Finance Authority

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**Allocation Amount Requested:**  
**Tax-exempt:** \$1,335,000

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**Project Information:**  
**Name:** California Terrace Apartments  
**Project Address:** 21501 Lakeshore Drive  
**Project City, County, Zip Code:** California City, Kern 93505

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**Project Sponsor Information:**  
**Name:** KC Investment Group, L.P. (Bettencourt Properties, Inc. and  
The Beneficial Housing Foundation)  
**Principals:** Ronald D. Bettencourt and Sharon A. Bettencourt for  
Bettencourt Properties, Inc.; Kimberley McClintock and Tammy  
Satham-Warfe for The Beneficial Housing Foundation  
**Property Management Company:** AWI Management Corporation

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**Project Financing Information:**  
**Bond Counsel:** Orrick, Herrington & Sutcliffe LLP  
**Private Placement Purchaser:** Rabobank, N.A. (Construction)/ Bonneville Mortgage Company  
(Permanent)  
**TEFRA Hearing Date:** August 2, 2011

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**Description of Proposed Project:**  
**State Ceiling Pool:** Rural  
**Total Number of Units:** 31, plus 1 manager unit  
**Type:** Acquisition and Rehabilitation  
**Type of Units:** Family

The California Terrace Apartments is an acquisition/rehabilitation project multi-family community that has been identified by the City of California City as an outstanding opportunity for a 100% affordable housing project. Closing is scheduled for November, 2011 with construction to commence shortly thereafter. The rehabilitation will be completed in a manner that will not require permanent tenant relocation from the property. A small cost for relocation has been included in the budget to compensate tenants when moving to another unit within the property to make the rehabilitation process smoother.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%  
32% (10 units) restricted to 50% or less of area median income households.  
68% (21 units) restricted to 60% or less of area median income households.  
**Unit Mix:** 2 & 3 bedrooms

The project is within one-half mile of Central Park.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

<b>Estimated Total Development Cost:</b>	\$	2,932,495	
<b>Estimated Hard Costs per Unit:</b>	\$	18,529	(\$574,400 /31 units)
<b>Estimated per Unit Cost:</b>	\$	94,597	(\$2,932,495 /31 units)
<b>Allocation per Unit:</b>	\$	43,065	(\$1,335,000 /31 units)
<b>Allocation per Restricted Rental Unit:</b>	\$	43,065	(\$1,335,000 /31 restricted units)

<b>Sources of Funds:</b>	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 1,335,000	\$ 800,000
Existing Replacement Reserve	\$ 148,018	\$ 148,018
Deferred Developer Fee	\$ 117,756	\$ 117,756
LIH Tax Credit Equity	\$ 83,730	\$ 618,730
Direct & Indirect Public Funds	\$ 1,218,966	\$ 1,218,966
Other-Cash Flow from Operations	\$ 29,025	\$ 29,025
<b>Total Sources</b>	<b>\$ 2,932,495</b>	<b>\$ 2,932,495</b>

<b>Uses of Funds:</b>	
Acquisition Cost	\$ 1,450,000
Hard Construction Costs	\$ 574,400
Architect & Engineering Fees	\$ 53,000
Contractor Overhead & Profit	\$ 80,416
Developer Fee	\$ 310,538
Relocation	\$ 5,000
Cost of Issuance	\$ 93,745
Capitalized Interest	\$ 29,025
Other Soft Costs (Marketing, etc.)	\$ 336,371
<b>Total Uses</b>	<b>\$ 2,932,495</b>

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

California Terrace will be financed using a combination of sources of funding. The sources of funds will include tax-exempt bonds, affordable housing tax credit equity, USDA Rural Development loan, cash flow from operations during the rehabilitation period, existing replacement reserves and deferred developer fee. The bonds will be structured as a private placement with a guarantee from the USDA RHS 538 Guaranteed Rural Rental Housing Program. Upon conversion to permanent financing the purchaser will be Bonneville Multifamily Capital. The bonds will carry a fixed interest rate, amortization period of 40 years and a terms of 39 years. The underwritten interest rate on the tax-exempt bonds is 6%.

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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:**

62.5 out of 128

[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$1,335,000 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	10
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	0
Leveraging	10	10	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	2.5
Service Amenities	10	10	0
New Construction	10	10	0
Sustainable Building Methods	8	8	0
Negative Points	-10	-10	0
<b>Total Points</b>	<b>128</b>	<b>108</b>	<b>62.5</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.