

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 21, 2014
Staff Report
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT**

Prepared by: Sarah Lester

Applicant: California Municipal Finance Authority

Allocation Amount Requested:
Tax-exempt: \$9,000,000

Project Information:
Name: Mill Creek Courtyard Apartments
Project Address: 1303 S Street
Project City, County, Zip Code: Bakersfield, Kern, 93301

Project Sponsor Information:
Name: Mill Creek Courtyard CIC, LP (Pacific Southwest Community Development Corporation; and CIC Mill Creek Courtyard, LLC)
Principals: Tony Reyes and Robert W. Laing for Pacific Southwest Community Development Corporation; James J. Schmid, Cheri Hoffman, Charles A. Schmid and Lynn Harrington Schmid for CIC Mill Creek Courtyard, LLC
Property Management Company: CIC Management, Inc.

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Rabobank, N.A. (constr. only)
TEFRA Adopted Date: January 22, 2014

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 61, plus 1 manager unit
Type: New Construction
Type of Units: Senior Citizens

The proposed project is a new construction project located in the City of Bakersfield, County of Kern. The project will be developed on a vacant lot of approximately 1.53 acres of land. The project is a proposed LIHTC senior housing development targeting one to two person households 55 years of age and older with incomes ranging from \$7,368 to \$26,280. The project will consist of a three-story, elevator served apartment building with a centered courtyard. It will offer one and two bedroom units. The developer's projected date of market entry is January 2015.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
77% (47 units) restricted to 50% or less of area median income households.
23% (14 units) restricted to 60% or less of area median income households.
Unit Mix: 1 & 2 bedrooms

No service amenities will be provided for the proposed project.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 16,820,310
Estimated Hard Costs per Unit: \$ 166,384 (\$10,149,430 /61 units)
Estimated per Unit Cost: \$ 275,743 (\$16,820,310 /61 units)
Allocation per Unit: \$ 147,541 (\$9,000,000 /61 units)
Allocation per Restricted Rental Unit: \$ 147,541 (\$9,000,000 /61 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 9,000,000	\$ 0
Deferred Developer Fee	\$ 0	\$ 769,059
LIH Tax Credit Equity	\$ 307,462	\$ 6,149,235
Direct & Indirect Public Funds	\$ 6,592,016	\$ 9,902,016
Deferred Fees and Reserves	\$ 920,832	\$ 0
Total Sources	\$ 16,820,310	\$ 16,820,310

Uses of Funds:	
Acquisition/Land Purchase	\$ 1,300,000
New Construction Costs	\$ 10,829,207
Architectural	\$ 250,000
Survey & Engineering	\$ 150,000
Contingency Costs	\$ 372,610
Construction Period Expenses	\$ 635,396
Legal Fees	\$ 165,000
Capitalized Reserves	\$ 70,118
Reports & Studies	\$ 55,000
Developer Costs	\$ 1,947,538
Other	\$ 1,045,441
Total Uses	\$ 16,820,310

Description of Financial Structure and Bond Issuance:

The financial structure of the proposed project will be a private placement transaction provided by Rabobank, N.A. (RNA) for a construction only loan in the amount of \$9,000,000. There will be no permanent tax-exempt debt on the project. The construction loan will bear interest at the greater of (i) the one (1) month LIBOR plus 2.50%; or (ii) 3.50%. Interest on the construction loan must be paid on the first date of each month, in arrears. At the Maturity Date, the entire outstanding principal balance, any accrued interest and other amounts due to RNA under the Loan Documents will be due and payable. Borrower may repay the loan at any time without penalty or premium. The loan will provide full recourse to the assets of Borrower, General Partner and Guarantor. The bonds will be issued by the California Municipal Finance Authority.

Analyst Comments:

Not Applicable

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: 67.9 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$9,000,000 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]	7.9
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	0
Service Amenities	10	10	0
New Construction	10	10	10
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
Total Points	130	100	67.9

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.