

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
September 21, 2016
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Sarah Lester

Applicant: California Housing Finance Agency

Allocation Amount Requested:
Tax-exempt: \$3,440,000

Project Information:
Name: Newport Veterans Housing Apartments
Project Address: 6001 Newport Shores Drive
Project City, County, Zip Code: Newport Beach, Orange, 92663

Project Sponsor Information:
Name: Newport Veterans Apartments, LP (CDP Newport, LLC; Mercy House CHDO, Inc.; and Affordable Housing Alliance II, Inc. dba Integrity Housing)
Principals: Eric Paine, Sean Robbins, Kyle Paine, Bruce Quigley, Tim Winger, Lindsay Dutro and Belinda Lee for CDP Newport, LLC; Larry G. Haynes, Jr. and Linda Wilson for Mercy House CHDO, Inc.; Anjela Ponce, Phil Wood and Dawn Allen for Affordable Housing Alliance II, Inc. dba Integrity Housing
Property Management Company: Solari Enterprises, Inc.

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Private Placement Purchaser: Citibank, N.A. (construction)
Public Sale: Not Applicable
Underwriter: Not Applicable
TEFRA Noticing Date: June 24, 2016
TEFRA Adoption Date: July 12, 2016

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 12, plus 0 manager units
Type: Acquisition and Rehabilitation
Type of Units: Family/Special Needs

The proposed project is an existing property and consists of 12 one-bedroom apartment units that will be rehabilitated. Six units will be special needs units serving chronically homeless veterans and subsidized with Project based VASH vouchers that have been committed to the project by Orange County Community Resources. The remaining six units will serve seniors. All unit types will be 1-bedroom/1-bath units restricted to households with incomes no greater than 60% of the Area Median Income. The project consists of 1 two-story, garden-style apartment building that includes the community laundry facilities and a on-site office for the Service Provider. The building is of a standard wood frame construction, and painted stucco siding on a concrete slab. The scope of rehabilitation will include: repair/reseal & restripe the parking area; repair/replace roof; replace all gutters, downspouts, and roof flashing; replace all exterior stucco & plywood soft-fit; install waterproof weather barrier prior to new siding; replace lighting throughout with energy efficient lighting & fixtures; new fencing, pedestrian & trash enclosure gates; re-landscape & upgrade irrigation; back fill the former pool area and redesign into outdoor lounge & BBQ area; replace all electrical subpanels; replace all doors throughout project inside and outside; install security access and surveillance system; repaint exterior walls; replace HVAC systems; replace water heating units; replace all windows & sliding glass windows and hardware; new flooring and carpet replacements; repair & repaint all interior walls; replace sinks, faucets, refrigerators, ranges; replace bathroom exhaust fans; new energy efficient appliances; new kitchen lighting; replace kitchen cabinets and kitchen countertops; replace all electrical fixtures, outlets & switch covers; install CO2 detectors & smoke alarms; restructure laundry room with flooring, new drywall, paint; replace venting for dryer equipment; and new office space created from restructuring the former laundry room. rehabilitation is scheduled to begin on or before March 2017 and it is planned to take approximately 12 months to rehabilitate the site and units in this project with an ending date by March 2018.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
92% (11 units) restricted to 50% or less of area median income households.
8% (1 units) restricted to 60% or less of area median income households.
Unit Mix: 1 bedroom

The proposed project will not be providing service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 6,325,594
Estimated Hard Costs per Unit: \$ 75,000 (\$900,000 /12 units)
Estimated per Unit Cost: \$ 527,133 (\$6,325,594 /12 units (0 manager units))
Allocation per Unit: \$ 286,667 (\$3,440,000 /12 units)
Allocation per Restricted Rental Unit: \$ 286,667 (\$3,440,000 /12 restricted units)

| Sources of Funds: | <u>Construction</u> | <u>Permanent</u> |
|----------------------------|---------------------|---------------------|
| Tax-Exempt Bond Proceeds | \$ 3,440,000 | \$ 0 |
| Taxable Debt | \$ 0 | \$ 1,575,000 |
| LIH Tax Credit Equity | \$ 503,589 | \$ 2,014,356 |
| Deferred Developer Fee | \$ 407,005 | \$ 91,238 |
| City of Newport Beach Loan | \$ 1,975,000 | \$ 1,975,000 |
| FHLB of San Francisco | \$ 0 | \$ 120,000 |
| CalHFA Soft Loan | \$ 0 | \$ 280,000 |
| The Home Depot Foundation | \$ 0 | \$ 240,000 |
| CITI Salute Grant | \$ 0 | \$ 30,000 |
| Total Sources | <u>\$ 6,325,594</u> | <u>\$ 6,325,594</u> |

| Uses of Funds: | |
|---|---------------------|
| Land Cost/Acquisition | \$ 3,495,000 |
| Rehabilitation | \$ 968,400 |
| Relocation | \$ 117,500 |
| Contractor Overhead & Profit | \$ 72,000 |
| Architectural Fees | \$ 62,000 |
| Survey and Engineering | \$ 31,000 |
| Construction Interest and Fees | \$ 121,996 |
| Permanent Financing | \$ 39,861 |
| Legal Fees | \$ 195,000 |
| Reserves | \$ 303,113 |
| Appraisal | \$ 7,500 |
| Contingency Cost | \$ 104,040 |
| Other Project Costs (Soft Costs, Marketing, etc.) | \$ 129,753 |
| Developer Costs | <u>\$ 678,431</u> |
| Total Uses | <u>\$ 6,325,594</u> |

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:

77.5 out of 140

[See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$3,440,000 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 |
| Gross Rents | 5 | 5 | 5 |
| Large Family Units | 5 | 5 | 0 |
| Leveraging | 10 | 10 | 10 |
| Community Revitalization Area | 5 | 5 | 0 |
| Site Amenities | 10 | 10 | 7.5 |
| Service Amenities | 10 | 10 | 0 |
| New Construction or Substantial Renovation | 10 | 10 | 10 |
| Sustainable Building Methods | 10 | 10 | 0 |
| Forgone Eligible Developer Fee (Competitive Allocation Process Only) | 10 | 10 | 0 |
| Minimum Term of Restrictions (Competitive Allocation Process Only) | 10 | 10 | 0 |
| Negative Points (No Maximum) | -10 | -10 | 0 |
| Total Points | 140 | 120 | 77.5 |

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.