

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 Statewide Communities Development Authority

Allocation Amount Requested:
Tax-exempt: \$11,000,000

Project Information:
Name: Marygold Gardens Apartments
Project Address: 17215 Marygold Avenue
Project City, County, Zip Code: Fontana, San Bernardino, 92335

Project Sponsor Information:
Name: Marygold Associates II, LP (IAHI-MG, LLC; and Credit Capital, LLC)
Principals: Marco Gomez, Juan Carlos Chavez for IAHI-MG, LLC; Bruce Nelson for Credit Capital, LLC
Property Management Company: American Real Property Management, Inc.

Project Financing Information:
Bond Counsel: Kutak Rock LLP
Private Placement Purchaser: Jones Lang LaSalle Multifamily, LLC/Freddie Mac TEL
Public Sale: Not Applicable
Underwriter: Not Applicable
TEFRA Noticing Date: December 18, 2015
TEFRA Adoption Date: January 12, 2016

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 proposed project is an existing Section 8 development that is rectangular in shape, approximately 4.75 acres in size and has perimeter fencing. It was originally constructed in 1973 and consists of 80 one, two and three-bedroom units. The units are spread across eight, one-story four-plex buildings; four, one-story eight-plex buildings, and one, two-story garden style building. All buildings are wood frame construction with stucco siding and pitched roofs and in average condition. The target population consists of income qualified households ranging in size from one to five persons with earning at or below 50 and 60 percent AMI levels. The proposed rehabilitation will include: new floor coverings appropriate for level of traffic; low VOC interior finishes for all interior finishes; conversion of gas ranges to electric to benefit from the use of solar energy and reduce carbon emissions gases produced; landscaping will consist of a variety of plant and tree species that require low water use; remove existing roof and replace with new roof; replacement of kitchen and bathroom fixtures; and rehabilitation of existing common areas used for communal activities. The expected start of the rehabilitation is November 2016 with an anticipated completion date of November 2017.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

11% (9 units) restricted to 50% or less of area median income households.

89% (70 units) restricted to 60% or less of area median income households.

Unit Mix: 1, 2 & 3 bedrooms

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: | \$ 21,944,502 | |
| Estimated Hard Costs per Unit: | \$ 40,477 | (\$3,197,678 /79 units) |
| Estimated per Unit Cost: | \$ 274,306 | (\$21,944,502 /80 units incl. manager unit) |
| Allocation per Unit: | \$ 139,241 | (\$11,000,000 /79 units) |
| Allocation per Restricted Rental Unit: | \$ 139,241 | (\$11,000,000 /79 restricted units) |

| Sources of Funds: | Construction | Permanent |
|---|---------------|---------------|
| Tax-Exempt Bond Proceeds | \$ 11,000,000 | \$ 11,000,000 |
| LIH Tax Credit Equity | \$ 2,820,240 | \$ 6,700,359 |
| Deferred Developer Fee | \$ 2,124,262 | \$ 1,605,271 |
| Seller's Note | \$ 4,000,000 | \$ 2,000,000 |
| Solar Equity | \$ 2,000,000 | \$ 638,872 |
| Total Sources | \$ 21,944,502 | \$ 21,944,502 |
| Uses of Funds: | | |
| Land Cost/Acquisition | \$ 10,900,000 | |
| PV System, Closing & Other | \$ 2,150,000 | |
| Rehabilitation | \$ 3,590,671 | |
| Relocation | \$ 40,000 | |
| Contractor Overhead & Profit | \$ 271,163 | |
| Architectural Fees | \$ 105,000 | |
| Survey and Engineering | \$ 23,650 | |
| Construction Interest and Fees | \$ 983,031 | |
| Permanent Financing | \$ 130,250 | |
| Legal Fees | \$ 50,000 | |
| Reserves | \$ 1,145,150 | |
| Appraisal | \$ 11,500 | |
| Contingency Cost | \$ 100,000 | |
| Other Project Costs (Soft Costs, Marketing, etc.) | \$ 140,250 | |
| Developer Costs | \$ 2,303,837 | |
| Total Uses | \$ 21,944,502 | |

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:

76 out of 140

[See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$11,000,000 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 | 20 |
| Exceeding Minimum Income Restrictions: | 35 | 15 | 26 |
| Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project] | [10] | [10] | 0 |
| Gross Rents | 5 | 5 | 5 |
| Large Family Units | 5 | 5 | 0 |
| Leveraging | 10 | 10 | 0 |
| Community Revitalization Area | 5 | 5 | 0 |
| Site Amenities | 10 | 10 | 5 |
| Service Amenities | 10 | 10 | 0 |
| New Construction or Substantial Renovation | 10 | 10 | 10 |
| Sustainable Building Methods | 10 | 10 | 10 |
| 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 | 110 | 76 |

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.