

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
October 19, 2016
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Richard Fischer

Applicant: Housing Authority of the City of Anaheim

Allocation Amount Requested: Tax-exempt: \$43,000,000

Project Information:
Name: Hermosa Village Phase I Apartments (Scattered Site)
Project Address: 1515 South Calle Del Mar; 1607 Hampstead Street
Project City, County, Zip Code: Anaheim, Orange, 92802

Project Sponsor Information:
Name: Hermosa Village Phase I Housing Partners, L.P. (Related/
Hermosa Village Phase I Development Co. LLC and Steve
Pontell for CORE Hermosa Village I MGP., LLC)
Principals: Frank Cardone for Related/ Hermosa Village Phase I
Development Co. LLC; Steve Pontell for CORE Hermosa
Village I MGP., LLC
Property Management Company: Related Property Management

Project Financing Information:
Bond Counsel: Stradling, Yocca, Carlson & Rauth
Private Placement Purchaser: Citibank, N.A.
Public Sale: Not Applicable
Underwriter: Not Applicable
TEFRA Noticing Date: July 21, 2016
TEFRA Adoption Date: August 9, 2016

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 295, plus 2 manager units
Type: Acquisition and Rehabilitation
Type of Units: Family

The Project consists of 297 units in 40 two story residential buildings as well as a one-story clubhouse/preschool building and swimming pool. It also contains three one story laundry room buildings and three playgrounds. The Project is currently 99 percent occupied and maintains a waiting list of 900 households. The waiting list is shared among all the other phases located in Hermosa Village. The Project is composed of one, two, three, and four bedroom units restricted to household income levels at 45, 50, and 60 percent of the AMI or below. The original rehabilitation scope fully addressed the interior and exteriors of each of the buildings, as well as major changes to the streets, alleys, parking and traffic patterns of the neighborhood. Construction of a 5,000 square foot community building was also included. The community building houses property management and maintenance activities for all four phases of the Hermosa Village project plus resident services activities operated by Project

Access and an Anaheim police substation. Subsequent to the first phase, three additional phases of acquisition and rehabilitation were added to the overall project bringing it to a total of 517 units. Construction is expected to begin in November, 2016 running roughly thirteen months to end in December 2017.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
95% (279 units) restricted to 50% or less of area median income households.
5% (16 units) restricted to 60% or less of area median income households.
Unit Mix: 1, 2, 3 & 4 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:	\$ 56,792,575	
Estimated Hard Costs per Unit:	\$ 37,495	(\$11,060,978 /295 units)
Estimated per Unit Cost:	\$ 191,221	(\$56,792,575 /297 units including mgr. units)
Allocation per Unit:	\$ 145,763	(\$43,000,000 /295 units)
Allocation per Restricted Rental Unit:	\$ 145,763	(\$43,000,000 /295 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 43,000,000	\$ 18,768,000
Taxable Loan Proceeds	\$ 0	\$ 6,853,670
LIH Tax Credit Equity	\$ 1,953,088	\$ 19,596,876
Existing Capital Reserves	\$ 259,000	\$ 259,000
Deferred Operating Reserve	\$ 923,000	\$ 0
Residual Receipts Loan	\$ 9,700,000	\$ 9,700,000
Net Income From Operations	\$ 957,489	\$ 1,615,034
Total Sources	\$ 56,792,577	\$ 56,792,580

Uses of Funds:	
Land Cost/Acquisition	\$ 35,181,000
Rehabilitation	\$ 12,517,352
Relocation	\$ 254,000
Contractor Overhead	\$ 331,829
Architectural Fees	\$ 339,000
Construction Interest and Fees	\$ 1,869,000
Permanent Financing	\$ 202,949
Legal Fees	\$ 231,000
Reserves	\$ 923,000
Appraisal	\$ 20,000
Contingency Cost	\$ 970,047
Local Development Impact Fees	\$ 10,000
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 943,400
Developer Costs	\$ 3,000,000
Total Uses	\$ 56,792,577

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:

79.9 out of 140

[See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$43,000,000 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	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	5
Leveraging	10	10	10
Community Revitalization Area	5	5	0
Site Amenities	10	10	4.9
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	79.9

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.