

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**December 12, 2012**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Richard Fischer*

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**Applicant:** California Statewide Communities Development Authority

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**Allocation Amount Requested:**  
**Tax-exempt:** \$27,000,000

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**Project Information:**  
**Name:** The Tower on Nineteenth Apartments  
**Project Address:** 678 West 19th Street  
**Project City, County, Zip Code:** Costa Mesa, Orange, 92627

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**Project Sponsor Information:**  
**Name:** 19th Street Affordable, L.P. (19th Street ALP, L.P. and AHCDC 8 LLC)  
**Principals:** Ken J. Reiner and Gary Carpenter for 19th Street ALP, LP; Joseph A. Stalzer, James Nardini and David C. Nahas for AHCDC 8 LLC.  
**Property Management Company:** The John Stewart Company

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**Project Financing Information:**  
**Bond Counsel:** Orrick, Herrington & Sutcliffe LLP  
**Underwriter:** Not Applicable  
**Credit Enhancement Provider:** Prudential Mortgage Capital Company  
**Private Placement Purchaser:** FHA Section 221[d](4)  
**TEFRA Hearing Date:** July 3, 2012

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 268, plus 1 manager unit  
**Type:** Acquisition and Rehabilitation  
**Type of Units:** Senior Citizens/Federally Assisted At-Risk

The Tower on 19th is an existing 269 unit multifamily property located in Costa Mesa, California. The project consists of 185 studio units, 67 one-bedroom units and 16 two-bedroom units, and 1 three-bedroom manager unit which are all age restricted for seniors. The project consists of one 18 story tower and a separate community room building.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%  
21% (56 units) restricted to 50% or less of area median income households.  
79% (212 units) restricted to 60% or less of area median income households.  
**Unit Mix:** Studio, 1 & 2 bedrooms

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

**Estimated Total Development Cost:** \$ 53,211,004  
**Estimated Hard Costs per Unit:** \$ 60,585 (\$16,236,853 /268 units)  
**Estimated per Unit Cost:** \$ 198,549 (\$53,211,004 /268 units)  
**Allocation per Unit:** \$ 100,746 (\$27,000,000 /268 units)  
**Allocation per Restricted Rental Unit:** \$ 100,746 (\$27,000,000 /268 restricted units)

| <b>Sources of Funds:</b> | Construction         | Permanent            |
|--------------------------|----------------------|----------------------|
| Tax-Exempt Bond Proceeds | \$ 27,000,000        | \$ 0                 |
| FHA Taxable Tail         | \$ 8,000,000         | \$ 0                 |
| FHA 221d4                | \$ 0                 | \$ 35,000,000        |
| Deferred Developer Fee   | \$ 329,015           | \$ 329,015           |
| LIH Tax Credit Equity    | \$ 15,199,691        | \$ 17,881,989        |
| <b>Total Sources</b>     | <b>\$ 50,528,706</b> | <b>\$ 53,211,004</b> |

| <b>Uses of Funds:</b>        |                      |
|------------------------------|----------------------|
| Acquisition/Land Purchase    | \$ 26,134,800        |
| Rehabilitation Costs         | \$ 16,236,853        |
| Relocation                   | \$ 1,934,175         |
| Architectural                | \$ 65,000            |
| Survey & Engineering         | \$ 170,700           |
| Contingency Costs            | \$ 1,623,192         |
| Construction Period Expenses | \$ 572,000           |
| Permanent Financing Expenses | \$ 881,400           |
| Legal Fees                   | \$ 175,000           |
| Capitalized Reserves         | \$ 1,763,837         |
| Reports & Studies            | \$ 27,500            |
| Other                        | \$ 1,126,547         |
| Developer Costs              | \$ 2,500,000         |
| <b>Total Uses</b>            | <b>\$ 53,211,004</b> |

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

Prudential Mortgage Capital Company will provide a Section 221[d](4) FHA Mortgage Insurance Program Loan in the amount of \$35,000,000. The construction loan term will be the construction period plus 4 months interest only. The permanent loan will be 40 years or seventy-five percent of the remaining useful economic life of the property at the current estimated rate of 3.40%.

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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:** 67.8 out of 130

[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$27,000,000 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   | 20            |
| Exceeding Minimum Income Restrictions:  | 35   | 15   | 30            |
| Exceeding Minimum Rent Restrictions<br>[Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project] | [10]   | [10]   | 0             |
| Gross Rents   | 5  | 5  | 0             |
| Large Family Units  | 5  | 5  | 0             |
| Leveraging  | 10   | 10   | 7.8           |
| Community Revitalization Area   | 15   | 15   | 0             |
| Site Amenities  | 10   | 10   | 10            |
| Service Amenities   | 10   | 10   | 0             |
| New Construction  | 10   | 10   | 0             |
| Sustainable Building Methods  | 10   | 10   | 0             |
| Negative Points   | -10  | -10  | 0             |
| <b>Total Points</b>   | <b>130</b>   | <b>110</b>                                       | <b>67.8</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.