

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: Brian Clark

Applicant: City of Chula Vista Housing Authority

Allocation Amount Requested:
Tax-exempt: \$8,000,000

Project Information:
Name: Garden Villas (f/k/a Kiku Gardens)
Project Address: 1260 3rd Ave.
Project City, County, Zip Code: Chula Vista, San Diego, 91911

Project Sponsor Information:
Name: Kiku Gardens Housing Partners, LP (Hearthstone Housing Foundation Inc. & Kiku Gardens Development LLC)
Principals: Socorro Vasquez Vasquez for Hearthstone Housing Foundation Inc; Casey Haeling for Kiku Gardens Development Inc.)
Property Management Company: Royal Property Management

Project Financing Information:
Bond Counsel: Stradling, Yocca, Carlson & Rauth
Underwriter: Citigroup Global Markets Inc.
Credit Enhancement Provider: Freddie Mac
Private Placement Purchaser: Not Applicable
TEFRA Adoption Date: December 10, 2013

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 99, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Senior Citizens

The proposed acquisition & rehabilitation senior project is located on 3rd street in Chula Vista on 3.32 acres of land in a mixed-use neighborhood containing businesses, large-scale retail, residences and a park. The proposed project was constructed in 1983 and is a single 3 story building with surface parking and contains 99 one bedroom tenant units and a single manager's unit. All units have a bathroom, bedroom, family room and kitchen with refrigerator, stove and disposal. The proposed project contains a meeting room, game room and laundry room. Upon acquisition, the project will receive a new roof, windows and all units will receive a new kitchen, bath, flooring and kitchen appliances. The rehabilitation work will be sequenced and phased to minimize inconvenience to tenants and it is anticipated that any temporary displacements will not exceed 4 days. \$75,000 has been allocated for temporary relocation costs; temporarily relocated residents will be compensated \$150 per night & receive a \$25 per day meal allowance. Tenants belongings will remain in the units during rehabilitation. No existing tenants will be displaced and will be provided advance written notice of any need to vacate in order to perform rehabilitation work. It is anticipated that all rehabilitation work will be completed by December 2014.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
20% (20 units) restricted to 50% or less of area median income households.
80% (79 units) restricted to 60% or less of area median income households.
Unit Mix: 1 bedroom

There are no service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	16,500,000	
Estimated Hard Costs per Unit:	\$	27,558	(\$2,728,280 /99 units)
Estimated per Unit Cost:	\$	166,667	(\$16,500,000 /99 units)
Allocation per Unit:	\$	80,808	(\$8,000,000 /99 units)
Allocation per Restricted Rental Unit:	\$	80,808	(\$8,000,000 /99 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 8,000,000	\$ 0
Taxable Bond Proceeds	\$ 3,200,000	\$ 11,200,000
Deferred Developer Fee	\$ 1,686,447	\$ 110,000
LIH Tax Credit Equity	\$ 3,148,553	\$ 4,725,000
Other	\$ 465,000	\$ 465,000
Total Sources	\$ 16,500,000	\$ 16,500,000

Uses of Funds:	
Acquisition/Land Purchase	\$ 8,500,000
On & Off Site Costs	\$ 45,000
Hard Construction Costs	\$ 2,683,280
Architect & Engineering Fees	\$ 75,000
Contractor Overhead & Profit	\$ 202,439
Developer Fee	\$ 1,686,447
Relocation	\$ 75,000
Cost of Issuance	\$ 710,900
Capitalized Interest	\$ 87,821
Other Soft Costs (Marketing, etc.)	\$ 2,434,113
Total Uses	\$ 16,500,000

Description of Financial Structure and Bond Issuance:

The proposed project will utilize public sale of bonds underwritten and marketed by Citigroup Global Markets Inc. The tax exempt bonds will be secured by cash or cash equivalents and will be structured to receive a "AA" rating by Standard & Poors. The construction bonds will have a fixed rate, be interest only and have a maturity date of 12 months. Final terms of the bonds will be established upon pricing of the bonds approximately 1-2 weeks before issuance. The \$8,000,000 in tax exempt bonds will be utilized to finance the acquisition of the proposed project and will be repaid within 12 months of issuance upon completion of the rehabilitation. Permanent financing will be in the form of taxable mortgage of an amount not to exceed \$11,200,000 issued by Citibank, NA and guaranteed by Freddie Mac. The taxable mortgage will be fixed rate at 5.20%, have a term of 16 years and amortization period of 35 years. Additionally, the project will be capitalized with approximately \$4.825 million in low income housing tax credits expected to be allocated over a 10 year period.

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: 59.7 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$8,000,000 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	
Exceeding Minimum Income Restrictions:	35	15	31
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project]	[10]	[10]	3.7
Gross Rents	5	5	5
Large Family Units	5	5	
Leveraging	10	10	10
Community Revitalization Area	15	15	
Site Amenities	10	10	10
Service Amenities	10	10	
New Construction	10	10	
Sustainable Building Methods	10	10	
Negative Points	-10	-10	
Total Points	130	100	59.7

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.