

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 16, 2014
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Brian Clark

Applicant: Housing Authority of the County of Santa Barbara

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

Project Information:
Name: L.C. Grossman Homes (Aparicio)
Project Address: 5575-5595 Armitos Ave.
Project City, County, Zip Code: Goleta, Santa Barbara, 93117

Project Sponsor Information:
Name: Leland Grossman Sandpiper, L.P. (Housing Authority of the County of Santa Barbara & Surf Development Co.)
Principals: Frederick C. Lamont & Robert P. Havlicek for Housing Authority of the County of Santa Barbara; Alfred Holzheu, Joyce Howerton, Frederick C. Lamont & Robert P. Havlicek for Surf Development Co.)
Property Management Company: Housing Authority of the County of Santa Barbara

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: US Bank, N.A.
TEFRA Adoption Date: January 14, 2014

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 14, plus 0 manager units
Type: Acquisition and Rehabilitation
Type of Units: Family

The proposed project is a public housing development located on 1.76 acres of land in a mixed residential, commercial and light industrial neighborhood. The project, constructed in 1985, is comprised of seven one-story buildings, a community building and has surface parking with 32 spaces. All units have a patio, carpeting, blinds, refrigerator, and stove. Community amenities include a community room, management office, laundry facility, picnic area and a playground. Rental unit rehabilitation includes new carbon monoxide detectors, interior and exterior doors, windows and skylights, interior painting, fumigation/pest control and termite damage repair. Common area rehabilitation work includes a new PV solar system, forced air unit and ductwork for the community building, office flooring, gutters and downspouts, exterior lighting, trash enclosure covering, exterior painting, sidewalk replacement, landscaping and parking lot resurfacing. Temporary tenant displacement will be for a period of 4-8 weeks and will utilize local hotels/motels, existing Housing Authority housing stock and temporary storage facilities for household goods. Tenants exceeding Section 8 HCV income limitations will be relocated to a comparable public housing unit or receive rental/purchase assistance. \$125,000 has been allocated for relocation costs.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

14% (2 units) restricted to 50% or less of area median income households.
86% (12 units) restricted to 60% or less of area median income households.

Unit Mix: 2 bedrooms

There are no service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 6,165,415	
Estimated Hard Costs per Unit:	\$ 36,605	(\$512,469 /14 units)
Estimated per Unit Cost:	\$ 440,387	(\$6,165,415 /14 units)
Allocation per Unit:	\$ 214,286	(\$3,000,000 /14 units)
Allocation per Restricted Rental Unit:	\$ 214,286	(\$3,000,000 /14 restricted units)

The Project has total project costs that appear high for the geographic area in which it is located. According to the Project sponsor, the high cost is due to the high valuation of the property based on its location in a highly desirable area. The appraised value of the land and building are \$4,449,950, which represents \$255.74 per square foot of the \$6,165,415 total development cost.

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 3,000,000	\$ 3,000,000
Deferred Developer Fee	\$ 502,331	\$ 58,903
LIH Tax Credit Equity	\$ 228,000	\$ 1,321,177
Direct & Indirect Public Funds	\$ 1,971,886	\$ 1,371,886
Other	\$ 463,198	\$ 413,449
Total Sources	\$ 6,165,415	\$ 6,165,415
Uses of Funds:		
Acquisition/Land Purchase	\$ 4,499,950	
Hard Construction Costs	\$ 512,469	
Architect & Engineering Fees	\$ 25,000	
Contractor Overhead & Profit	\$ 64,404	
Developer Fee	\$ 502,331	
Relocation	\$ 125,000	
Cost of Issuance	\$ 50,000	
Capitalized Interest	\$ 23,334	
Other Soft Costs (Marketing, etc.)	\$ 362,927	
Total Uses	\$ 6,165,415	

Description of Financial Structure and Bond Issuance:

Construction & permanent bond financing will be in the form of a seller carry-back residual receipts loan provided by the Housing Authority of the County of Santa Barbara in the amount of \$2,400,000 for a term of 660 months. In addition, there will be additional interest-only construction financing provided by US Bank, N.A. in the amount of \$600,000 with a term of 24 months and a variable rate equal to one-month LIBOR plus 2.25%. The bonds will be issued in a private placement transaction. Collateral will be in the form of a first deed of trust, first position lien on any furnishings, fixtures & equipment and assignment of all leases and rents contracts, agreements & permits relating to the property.

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: 57 out of 130
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$3,000,000 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	0
Exceeding Minimum Income Restrictions:	35	15	27
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project]	[10]	[10]	10
Gross Rents	5	5	5
Large Family Units	5	5	0
Leveraging	10	10	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	5
Service Amenities	10	10	0
New Construction	10	10	0
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
Total Points	130	100	57

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.