

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 15, 2015
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 City of Anaheim

Allocation Amount Requested:
Tax-exempt: \$13,145,330

Project Information:
Name: Pebble Cove Apartments
Project Address: 2555 W. Winston Rd.
Project City, County, Zip Code: Anaheim, Orange, 92804

Project Sponsor Information:
Name: 2555 W. Winston Road, LP (AOF Pebble Cove, LLC and PB-MCO, LLC)
Principals: Ray Nayar, Philip Kennedy and Kathryn Walker for AOF Pebble Cove, LLC; Rudy Mariman, Shawn Boyd and Sandra Weston for PB-MCO, LLC
Property Management Company: Mariman & Co.

Project Financing Information:
Bond Counsel: Stradling, Yocca, Carlson & Rauth
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Oak Grove Capital / Freddie Mac
TEFRA Adoption Date: May 5, 2015

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 110, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

The Project, constructed in 1966 and renovated in 1997, is located in Anaheim on two adjacent parcels totaling 4.195 acres. The Project, consisting of 2 two-story residential buildings, 35 garages and 132 surface parking spaces; houses 111 tenant units (79 one-bedroom units and 31 two-bedroom units) and a single two-bedroom manager's unit. All units will be income restricted: 11 units at 50% Area Median Income ("AMI") and 99 units at 60% AMI. Unit amenities include refrigerator, range, disposal, blinds, carpeting, storage closet and coat closet and patio/balcony. HVAC consists of wall-mounted AC in all units, wall-mounted heaters in the one-bedroom units and central heat in the two-bedroom units. Site amenities include 2 swimming pools, 4 laundry rooms, playground, BBQ/picnic cabana, on-site management, security gate and courtesy patrol. Unit renovations will include new windows, lighting, flooring/carpeting, interior doors, smoke/CO2 detectors, HVAC units, plumbing, kitchen appliances, cabinets/counters, bathroom fixtures, vanity, toilet, reglazed bathtubs/showers and painting. Site renovations will include pest/termite control, fascia repair, new lighting, painting, landscape and irrigation improvements, new garage doors and openers, parking lot and walkway repair and replacement of a wood fence on the north perimeter with a block wall. Renovations are expected to take place September 2015 – January 2016.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
10% (11 units) restricted to 50% or less of area median income households.
90% (99 units) restricted to 60% or less of area median income households.
Unit Mix: 1 & 2 bedrooms

There are no service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 24,215,746	
Estimated Hard Costs per Unit:	\$ 23,367	(\$2,570,410 /110 units)
Estimated per Unit Cost:	\$ 220,143	(\$24,215,746 /110 units)
Allocation per Unit:	\$ 119,503	(\$13,145,330 /110 units)
Allocation per Restricted Rental Unit:	\$ 119,503	(\$13,145,330 /110 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 13,145,330	\$ 13,145,330
Taxable Bond Proceeds	\$ 3,550,000	\$ 3,550,000
Deferred Developer Fee	\$ 1,500,000	\$ 238,574
LIH Tax Credit Equity	\$ 5,198,386	\$ 7,281,842
Deferred Costs	\$ 822,030	\$ 0
Total Sources	\$ 24,215,746	\$ 24,215,746

Uses of Funds:	
Acquisition/Land Purchase	\$ 16,500,000
On & Off Site Costs	\$ 117,450
Hard Construction Costs	\$ 2,452,960
Architect & Engineering Fees	\$ 54,500
Contractor Overhead & Profit	\$ 227,561
Developer Fee	\$ 2,500,000
Relocation	\$ 240,000
Cost of Issuance	\$ 376,375
Legal Fees	\$ 175,000
Construction & Permanent Financing	\$ 760,981
Reserves	\$ 305,374
Other Soft Costs (Third Party Reports, Furnishings, Marketing, etc.)	\$ 505,545
Total Uses	\$ 24,215,746

Description of Financial Structure and Bond Issuance:

The bonds will be purchased as a private placement transaction by Oak Grove Capitol and will be used to fund a tax-exempt loan backed by Freddie Mac. The loan will have a 17-year term and will be interest-only for the first year after closing followed by amortization on a 35-year schedule. The all-in note rate on the loan is estimated at 4.00%; built-up as follows: 10-year treasury: 1.970%, Freddie Mac Spread/Servicing: 2.000%, Estimated Trustee Fee: 0.030%. In addition, the Housing Authority of the City of Anaheim will issue \$3,500,000 in taxable bonds that will be purchased by the Rudy Mariman Trust and will be used to fund a loan for construction and permanent financing. The taxable loan will close simultaneously with the tax-exempt loan, will be subordinate to the tax-exempt loan and will bear interest at an annual rate of 7.000% for a period of 55 years.

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: 55 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$13,145,330 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	25
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project]	[10]	[10]	0
Gross Rents	5	5	5
Large Family Units	5	5	0
Leveraging	10	10	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	7
Negative Points	-10	-10	0
Total Points	130	100	55

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.