

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
September 16, 2015
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Devon King

Applicant: Housing Authority of the County of Kern

Allocation Amount Requested:
Tax-exempt: \$6,000,000

Project Information:
Name: Green Garden Apartments
Project Address: 2300 S. Union Avenue
Project City, County, Zip Code: Bakersfield, Kern, 93307

Project Sponsor Information:
Name: Golden Empire Affordable Housing, Inc. II
Principals: Charles "Gene" Smith, Kristie Coons, Randy Coats for Golden Empire Affordable Housing, Inc. II
Property Management Company: Housing Authority of the County of Kern

Project Financing Information:
Bond Counsel: Best Best & Krieger LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: U.S. Bank, N.A.
TEFRA Adoption Date: June 24, 2015

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 100, plus 2 manager units
Type: Acquisition and Rehabilitation
Type of Units: Family/Special Needs

Green Gardens is an existing affordable housing development project that was originally constructed as a motel in 1956. It was converted to 104-units of permanent supportive housing for homeless disabled persons in the early 2000's. The Property is relatively flat in topography and is landscaped with mature trees, flowers, plantings, and lawn areas on a total of 4.95 acres. The Property is comprised of one (1) one-story, wood-framed apartment building and one (1) one-story office/community building are provided at the Property. The office/community building includes a large common kitchen, meeting rooms, laundry room, management offices and offices for the on-site mental health services. The buildings are surrounded by asphalt paved parking areas, concrete walkways and landscaping. Parking spaces are not currently designated. There are a total of 104 single occupancy apartments at 240 sq. ft each with approximately 33,600 square feet of total building area. The exterior finishes consist of painted stucco, decorative brick and painted wood trim components. The roofs are pitched and are finished with asphalt composition shingles. Exterior windows are dual glazed aluminum framed horizontal sliding assemblies. Exterior and unit entry doors are insulated metal in wood frames. The interior walls and ceilings are constructed with wood framing finished with painted gypsum board. Apartment unit interiors consist of vinyl flooring throughout the sleeping area and bathroom, painted drywall walls and ceilings and limited furnishings. Each apartment unit has a thru-wall electric heat pump for heating and cooling. Common area heating and cooling is via roof mounted packaged units. Domestic hot water is provided by two (2) central, gas-fired, commercial grade water heaters and circulation pumps. The Property is master metered for electricity. Each unit includes a full bathroom, sleeping area and a small refrigerator. The rehabilitation is planned to include: Roof replacement, parking lot improvements, unit interior improvements, new insulation and HVAC, fencing replacement, landscaping improvements, units, doors, windows, plumbing, electrical. Four vacant SRO units will be converted into two one-bedroom manager. Rehabilitation is expected to begin in January 2016 and complete by December 2016.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

90% (90 units) restricted to 50% or less of area median income households.

10% (10 units) restricted to 60% or less of area median income households.

Unit Mix: Studio

The project will provide health and wellness services and programs in the form of on-site mental health services for a minimum of 100 hours per year

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 9,543,046	
Estimated Hard Costs per Unit:	\$ 32,861	(\$3,286,120 /100 units)
Estimated per Unit Cost:	\$ 95,430	(\$9,543,046 /100 units)
Allocation per Unit:	\$ 60,000	(\$6,000,000 /100 units)
Allocation per Restricted Rental Unit:	\$ 60,000	(\$6,000,000 /100 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 6,000,000	\$ 0
Developer Equity	\$ 1,191,046	\$ 128,760
LIH Tax Credit Equity	\$ 300,000	\$ 3,007,286
Direct & Indirect Public Funds	\$ 300,000	\$ 4,655,000
Other (Seller Carryback)	\$ 1,752,000	\$ 1,752,000
Total Sources	\$ 9,543,046	\$ 9,543,046

Uses of Funds:	
Acquisition/Land Purchase	\$ 3,100,000
On & Off Site Costs	\$ 250,000
Hard Construction Costs	\$ 3,036,120
Architect & Engineering Fees	\$ 105,000
Contractor Overhead & Profit	\$ 240,000
Legal Fees	\$ 145,000
Developer Fee	\$ 1,061,876
Reserves	\$ 701,000
Relocation	\$ 50,060
Construction and Permanent Financing	\$ 334,810
Other Soft Costs (Marketing, Third Party Reports, Furnishings etc.)	\$ 519,180
Total Uses	\$ 9,543,046

Description of Financial Structure and Bond Issuance:

The proposed financial structure is a private placement purchase by U.S Bank National Association for the construction period only. The construction financing loan term will be for 24 months with a variable interest rate of 30-Day LIBOR plus 225bps. There is no permanent period financing. There was no underwritten rate provided.

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:

57.5 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$6,000,000 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	35
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	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	2.5
Service Amenities	10	10	5
New Construction	10	10	0
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
Total Points	130	100	57.5

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.