

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

Prepared by: Sarah Lester

Applicant: Housing Authority of the County of Monterey

Allocation Amount Requested:
Tax-exempt: \$19,434,000

Project Information:
Name: Salinas Family RAD Apartments
Project Address: 350 Casentini Street; 44 Natividad Road; 1511, 1513 & 1515 Wheeler Drive
Project City, County, Zip Code: Salinas, Monterey, 93907

Project Sponsor Information:
Name: Salinas Family RAD, LP (HA RAD LLC2, GP)
Principals: Kevin Healy, Viviana Gama, Kathleen Ballesteros, Mary Jo Zenk, Starla Warren and Jean Goebel
Property Management Company: Housing Authority of the County of Monterey

Project Financing Information:
Bond Counsel: Quint & Thimmig LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Wells Fargo Bank
TEFRA Adoption Date: Septemer 15, 2015

Description of Proposed Project:
State Ceiling Pool: Rural
Total Number of Units: 167, plus 3 manager units
Type: Acquisition and Rehabilitation
Type of Units: Family

The Salinas Family RAD project (the "Project") is located at three public housing sites: Natividad, Casentini and Northridge Plaza (Wheeler). All sites are loacted in the City of Salinas and will target families with household incomes no greater than 50% of the Area Median Income. The project consists of a total of 170 units, of which 157 will be restricted units. The rehabilaition of these units at the three public housing developments will be converted to project-based assistance under the U.S. Department of Housing and Urban Development's (HUD's) Rental Assistance Demonstration (RAD) Program. The buildings are wood frame construction with slab foundations and stucco exteriors. The Site amenities include a community room, picnic area, on-site manager, and laundry room. The Salinas Family RAD project includes the replacement of kitchen appliances, cabinets and countertops; replacement of carpets, interior doors, light fixtures, bathroom vanities and tops, aerator, tubs and surrounds, showers, exhaust fans, plumbing fixtures and piping repairs. The work will also include replacement of water heaters, electric risers, roofs, and exterior doors. The windows will be replaced with Energy Star Windows. Additionally, the benches, signage, wood fencing, and exterior lighting will be replaced. New playground equipment will be installed.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 92%
92% (154 units) restricted to 50% or less of area median income households.
Unit Mix: 1, 2, 3 & 4 bedrooms

The proposed project will not be providing service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 32,729,617	
Estimated Hard Costs per Unit:	\$ 21,917	(\$3,660,132 /167 units)
Estimated per Unit Cost:	\$ 195,986	(\$32,729,617 /167 units)
Allocation per Unit:	\$ 116,371	(\$19,434,000 /167 units)
Allocation per Restricted Rental Unit:	\$ 116,371	(\$19,434,000 /154 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 19,434,000	\$ 5,300,000
LIH Tax Credit Equity	\$ 100,000	\$ 9,230,321
Other (Tax Exempt Seller Carryback)	\$ 12,236,145	\$ 17,849,010
Other (accrued interest, HACM Loans & Reserves)	\$ 350,286	\$ 350,286
Total Sources	\$ 32,120,431	\$ 32,729,617

Uses of Funds:	
Acquisition/Land Purchase	\$ 22,430,000
Hard Construction Costs	\$ 3,660,132
Architect & Engineering Fees	\$ 166,902
Contractor Overhead & Profit	\$ 512,418
Developer Fee	\$ 2,500,000
Legal Fees	\$ 207,500
Relocation	\$ 340,000
Cost of Issuance	\$ 150,000
Operating Reserve	\$ 477,552
Construction and Permanent Financing	\$ 1,177,782
Construction Contingency Costs	\$ 625,882
Other Soft Costs (Marketing, etc.)	\$ 481,449
Total Uses	\$ 32,729,617

Description of Financial Structure and Bond Issuance:

The financial structure for the proposed project will be a private placement transaction provided by Wells Fargo Bank, N.A. (the "Bank") for both construction and permanent financing. During the construction phase, the loan term will be for 12 months. The interest rate will bear interest at a rate per annum equal to 1.75% above Lender's quoted one month LIBOR Rate. During the permanent financing phase, the loan term will be for 18 years with an amortization period of 35 years with two options of three months to extend. The interest rate is equal to the greatest of the 15 year bond index plus 175 bps or 4.10% fixed for 15 years. The indicative rate is 4.39%. The bonds will be issued by the Housing Authority of the County of Monterey.

Analyst Comments:

The Salinas Family RAD project is the rehabilitation of several scattered site units at three public housing developments that will be converted to project-based assistance under the U.S. Department of Housing and Urban Development's (HUD's) Rental Assistance Demonstration (RAD) Program. There are a total of 203 housing units in the East Salinas Family RAD project.

Energy Efficiency Requirements:

Natividad and Casentini (44 Natividad Road & 350 Casentini Street) Sites

Must replace all hot water heaters and refrigerators older than three years (at Placed In Service) with Energy Star appliances. CDLAC and TCAC will waive the post rehab improvement requirement but will require a certification that the outlined improvements were completed..

Northridge Plaza (1511, 1513 & 1515 Wheeler Avenue) Site

Must meet the 10% post rehab energy efficiency improvement requirement.

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: 67.2 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$19,434,000 in tax exempt bond allocation on a carryforward basis.

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]	10
Gross Rents	5	5	5
Large Family Units	5	5	2.2
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	67.2

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.