

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: \$20,308,000

Project Information:
Name: East Salinas Family RAD Apartments
Project Address: 1025, 1039, 1058 Sanborn & 1415 Del Monte Avenue; 1029 & 1030 Rider Avenue; 1111 & 1112 Alamo Way; 540 Williams Road; 312 Williams Road; 737 & 747 Mae Avenue; 775 & 780 Elkington Avenue; 1062 N. Sanborn Road; 1012 N. Sanborn Road; 1259 Del Monte Avenue; 1011 E. Laurel Drive; 1113 "D" Street; and 24 N. Wood Street
Project City, County, Zip Code: Salinas, Monterey, 93905

Project Sponsor Information:
Name: East Salinas Family RAD, LP (HA RAD LLC3, 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: 198, plus 4 manager units
Type: Acquisition and Rehabilitation
Type of Units: Family

The East Salinas Family RAD project (the "Project") is the rehabilitation of several scattered site units at two 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. East Salinas was developed in the late 1940s and early 1950s and is primarily a housing community and has only a few commercial areas. There are a total of 203 housing units in the East Salinas Family RAD project. The Sanborn and Del Monte project site is located at four separate parcels totaling 5 acres surrounded by residential properties and schools. The project site includes 89 units that were constructed in 1981 and serve general occupancy households. The second project site consists of 114 public housing units, built between 1983 and 1985, serving general occupancy households, located on 16 sites. The 16 sites are within 1.00 mile of each other. 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 scope of rehabilitation for the Project includes the replacement of kitchen appliances and cabinets; replacement of carpets, interior doors, interior lighting, aerators with ultra low flow, toilets with 1.2 gpf, tubs, and exhaust fans. The bathroom vanities will be replaced or refurbished. The work will also include replacement of water heaters, windows will be replaced with Energy Star, and the exterior walls will be painted. Additionally, fencing will be replaced at Del Monte and Sanborn, the irrigation system will be repaired and trees removed. New playground equipment will also be installed.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 95%
95% (188 units) restricted to 50% or less of area median income households.
Unit Mix: 1, 2, 3, 4 & 5-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:	\$ 34,700,342	
Estimated Hard Costs per Unit:	\$ 11,503	(\$2,277,541 /198 units)
Estimated per Unit Cost:	\$ 175,254	(\$34,700,342 /198 units)
Allocation per Unit:	\$ 102,566	(\$20,308,000 /198 units)
Allocation per Restricted Rental Unit:	\$ 102,566	(\$20,308,000 /188 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 20,308,000	\$ 4,000,000
LIH Tax Credit Equity	\$ 100,000	\$ 9,985,174
Other (Tax Exempt Seller Carryback)	\$ 13,235,122	\$ 15,427,923
Other (accrued interest, HACM Loans & Reserves)	\$ 398,850	\$ 5,287,245
Total Sources	\$ 34,041,972	\$ 34,700,342

Uses of Funds:	
Acquisition/Land Purchase	\$ 25,855,000
Hard Construction Costs	\$ 2,277,541
Architect & Engineering Fees	\$ 103,855
Contractor Overhead & Profit	\$ 318,855
Developer Fee	\$ 2,500,000
Legal Fees	\$ 207,500
Relocation	\$ 435,000
Cost of Issuance	\$ 198,700
Operating Reserve	\$ 648,370
Construction and Permanent Financing	\$ 1,190,340
Construction Contingency Costs	\$ 389,459
Other Soft Costs (Marketing, etc.)	\$ 575,722
Total Uses	\$ 34,700,342

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 East Salinas Family RAD project is the rehabilitation of several scattered site units at two 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:**Scattered Site 120/1030 Rider, 1011 Laurel, 1029 Rider, 1259 Del Monte, 775 & 780 Elkington, 1012 Sanborn, 312 & 540 Williams, and 24 Wood Sites**

The 88 units not receiving interior renovations must replace all hot water heaters and refrigerators older than three years (at PIS). The replacement refrigerators must be Energy Star rated. CDLAC and TCAC will waive the post rehab improvement requirement but will require a certification that the outlined improvements were completed.

111 Alamo, 1112 Alamo, 1062 Sanborn, 1113 D Street, 737 Mae Street, and 747 Mae Street Sites

The 26 units receiving interior rehabilitation must meet the 10% post rehab energy improvement requirement.

Scattered Site 108/Del Monte Estates (1025 & 1039 North Sanborn Rd/ 1415 Del Monte Avenue)

The 89 units not receiving interior renovations must replace all hot water heaters and refrigerators older than three years (at PIS). The replacement refrigerators must be Energy Star rated. CDLAC and TCAC will waive the post rehab improvement requirement but will require a certification that the outlined improvements were completed.

1058 Sanborn

The 16 units receiving interior rehabilitation must meet the 10% post rehab energy 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: 59.48 out of 130
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$20,308,000 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]	0
Gross Rents	5	5	5
Large Family Units	5	5	1.98
Leveraging	10	10	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	7.5
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	59.48

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.