

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**October 19, 2016**  
**Staff Report**  
***REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A***  
***QUALIFIED RESIDENTIAL RENTAL PROJECT***

*Prepared by: Sarah Lester*

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**Applicant:** California Municipal Finance Authority

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**Allocation Amount Requested:** Tax-exempt: \$40,362,200

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**Project Information:**

**Name:** Granger Apartments  
**Project Address:** 2700 E. 8th Street  
**Project City, County, Zip Code:** National City, San Diego, 91950

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**Project Sponsor Information:**

**Name:** Granger Housing, LP (AHA San Diego MGP, LLC; and Granger Housing, LLC)  
**Principals:** Jonathan B. Webb for AHA San Diego MGP, LLC; Rick Siebert for Granger Housing, LLC  
**Property Management Company:** USRG (California), Inc.

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**Project Financing Information:**

**Bond Counsel:** Jones Hall, A Professional Law Corporation  
**Private Placement Purchaser:** Citibank, N.A. (construction only)  
**Public Sale:** Not Applicable  
**Underwriter:** Not Applicable  
**TEFRA Noticing Date:** August 19, 2016  
**TEFRA Adoption Date:** September 6, 2016

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**Description of Proposed Project:**

**State Ceiling Pool:** General  
**Total Number of Units:** 178, plus 2 manager units  
**Type:** Acquisition and Rehabilitation  
**Type of Units:** Family

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The proposed project is an existing development located in the City of National City, San Diego County. The property consists of 14 residential buildings containing 180 units, one (1) community building, three (3) laundry buildings, and one (1) maintenance building. Of the 180 units, 178 will be restricted to households with incomes no greater than 60% of the Area Median Income and two (2) units will be reserved as manager units. The unit configuration consists of 160 one-bedroom units and 20 two-bedroom units. The one-bedroom units have one bedroom and one bathroom with 570 sq. ft. The two-bedroom units have two bedrooms and one bathroom with 740 sq. ft. There is a leasing office and computer room in the community building. Building improvements are wood frame construction with stucco exterior walls on concrete slab foundations and the roofs are flat built-up with composition cover. The property offers 200 surface parking spaces. The project site is 6.07 acres. The targeted population is large families. Scope of rehabilitation work include the following for unit interiors: installation of new energy efficient windows and doors, new energy efficient PTAC units with heating and cooling, microwave hoods, and new energy efficient appliances as needed. Scope for the community room includes expanding the community room and providing a new tenant gathering place with new mailboxes, a new gym and a workout room, a theater room – TV lounge, billiards/game room, a new manager’s office and leasing area, renovate computer lounge area, and provide library/reading room. Upgrades for the main site include new cool roofs, new property and community area entry systems and key fob access, installation of security camera system throughout the entire property, new community garden plots and installation of new Wi-Fi system throughout the property. The expected construction start date is December 1, 2016 with a 12-month period for rehabilitation.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%  
15% (27 units) restricted to 50% or less of area median income households.  
85% (151 units) restricted to 60% or less of area median income households.  
**Unit Mix:** 1 & 2 bedrooms

The proposed project will not be providing service amenities.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

<b>Estimated Total Development Cost:</b>	\$ 50,257,329	
<b>Estimated Hard Costs per Unit:</b>	\$ 27,303	(\$4,860,000 /178 units)
<b>Estimated per Unit Cost:</b>	\$ 279,207	(\$50,257,329 /180 units including mgr. units)
<b>Allocation per Unit:</b>	\$ 226,754	(\$40,362,200 /178 units)
<b>Allocation per Restricted Rental Unit:</b>	\$ 226,754	(\$40,362,200 /178 restricted units)

<b>Sources of Funds:</b>	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 40,362,200	\$ 28,862,200
General Partner Equity	\$ 100	\$ 100
LIH Tax Credit Equity	\$ 5,358,731	\$ 16,635,245
Deferred Developer Fee	\$ 4,231,093	\$ 4,231,093
Deferred Costs	\$ 305,205	\$ 0
Net Income From Operations	\$ 0	\$ 528,691
<b>Total Sources</b>	<b>\$ 50,257,329</b>	<b>\$ 50,257,329</b>

<b>Uses of Funds:</b>	
Land Cost/Acquisition	\$ 34,575,000
Rehabilitation	\$ 5,812,560
Contractor Overhead & Profit	\$ 388,800
Architectural Fees	\$ 160,000
Survey and Engineering	\$ 120,000
Construction Interest and Fees	\$ 1,601,176
Permanent Financing	\$ 347,502
Legal Fees	\$ 235,000
Reserves	\$ 646,355
Appraisal	\$ 15,000
Contingency Cost	\$ 340,331
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 331,730
Developer Costs	\$ 5,683,875
<b>Total Uses</b>	<b>\$ 50,257,329</b>

**Analyst Comments:**

None

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**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.

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**Total Points:**

60.5 out of 140

[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approves \$40,632,200 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
Preservation Project	20	20	20
Exceeding Minimum Income Restrictions:	35	15	28
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	0
Gross Rents	5	5	5
Large Family Units	5	5	0
Leveraging	10	10	0
Community Revitalization Area	5	5	0
Site Amenities	10	10	7.5
Service Amenities	10	10	0
New Construction or Substantial Renovation	10	10	0
Sustainable Building Methods	10	10	0
Forgone Eligible Developer Fee (Competitive Allocation Process Only)	10	10	0
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	0
Negative Points (No Maximum)	-10	-10	0
<b>Total Points</b>	<b>140</b>	<b>110</b>	<b>60.5</b>

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.