

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 14, 2016
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Richard Fischer

Applicant: California Housing Finance Agency

Allocation Amount Requested:
Tax-exempt: \$38,000,000

Project Information:
Name: Miracle Terrace Apartments
Project Address: 225 S. Western Avenue
Project City, County, Zip Code: Anaheim, Orange, 92804

Project Sponsor Information:
Name: Miracle Terrace Community Partners, LP (JHC-Miracle Terrace, LLC & WNC Miracle Terrace-GP, LLC)
Principals: Marcy V. Finamore, for JHC-Miracle Terrace, LLC; Anand Kannan and Wilfred N. Cooper, Jr., for WNC Miracle Terrace-GP, LLC
Property Management Company: FPI Management

Project Financing Information:
Bond Counsel: Stradling, Yocca, Carlson & Rauth
Private Placement Purchaser: Citibank, N.A.
Public Sale: Not Applicable
Underwriter: Not Applicable
TEFRA Noticing Date: October 6, 2016
TEFRA Adoption Date: December 5, 2016

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 178, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Senior Citizens

The subject property is located at 225 S. Western Avenue, in the City of Anaheim, Orange County, California. It is currently zoned RM-4 Multiple Family Residential. The property site is approximately 189,093 square feet, or 4.3 acres. The property is a garden style multifamily complex currently consisting of seven three-story buildings and one two-story building containing a total of 179 units (71 studio units and 107 one bedroom units with one two bedroom manager's unit). The first floor of building one is being renovated by the current ownership to contain leasing offices, a business center, a community room, a translator's office and a fitness room. The rehabilitation program will address health and safety issues, ADA, deferred maintenance, and energy efficiency when possible. Currently, the Developer is planning on replacing countertops and cabinetry in units, replacing flooring, replacing the windows, installing new refrigerators, ranges, range hoods, and dishwashers, re-roofing, painting the exterior buildings, addressing parking lot deferred maintenance, and replacing and upgrading building systems as necessary. Construction is scheduled to start in January 2017 and will be complete December 2017.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
22% (40 units) restricted to 50% or less of area median income households.
78% (138 units) restricted to 60% or less of area median income households.
Unit Mix: Studio & 1 bedroom

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: | \$ | 53,060,371 | |
| Estimated Hard Costs per Unit: | \$ | 31,677 | (\$5,638,502 /178 units) |
| Estimated per Unit Cost: | \$ | 296,427 | (\$53,060,371 /179 units including mgr. units) |
| Allocation per Unit: | \$ | 213,483 | (\$38,000,000 /178 units) |
| Allocation per Restricted Rental Unit: | \$ | 213,483 | (\$38,000,000 /178 restricted units) |

| Sources of Funds: | <u>Construction</u> | <u>Permanent</u> |
|----------------------------|----------------------|----------------------|
| Tax-Exempt Bond Proceeds | \$ 38,000,000 | \$ 23,847,000 |
| LIH Tax Credit Equity | \$ 6,560,369 | \$ 18,843,643 |
| Developer Equity | \$ 3,500,000 | \$ 0 |
| Deferred Developer Fee | \$ 0 | \$ 2,031,952 |
| Seller Carryback Loan | \$ 5,000,000 | \$ 5,000,000 |
| Net Income From Operations | \$ 0 | \$ 3,337,776 |
| Total Sources | <u>\$ 53,060,369</u> | <u>\$ 53,060,371</u> |

| Uses of Funds: | |
|---|----------------------|
| Land Cost/Acquisition | \$ 37,375,000 |
| Rehabilitation | \$ 6,106,498 |
| Relocation | \$ 134,250 |
| Contractor Overhead & Profit | \$ 451,080 |
| Architectural Fees | \$ 75,000 |
| Survey and Engineering | \$ 57,000 |
| Construction Interest and Fees | \$ 3,523,639 |
| Legal Fees | \$ 150,000 |
| Reserves | \$ 558,000 |
| Appraisal | \$ 7,500 |
| Contingency Cost | \$ 655,758 |
| Other Project Costs (Soft Costs, Marketing, etc.) | \$ 466,646 |
| Developer Costs | <u>\$ 3,500,000</u> |
| Total Uses | <u>\$ 53,060,371</u> |

Analyst Comments:

None

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: 63.5 out of 140
[See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$38,000,000 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 |
|--|--|--|---------------|
| Preservation Project | 20 | 20 | 20 |
| Exceeding Minimum Income Restrictions: | 35 | 15 | 31 |
| 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 |
| Total Points | 140 | 110 | 63.5 |

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.