

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
June 20, 2018
Staff Report
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT**

Prepared by: Sarah Lester

Applicant: California Statewide Communities Development Authority

Allocation Amount Requested: Tax-exempt: \$4,100,000

The amount of allocation requested is supplemental to the \$11,000,000 of allocation the Project received on May 18, 2016.

Project Information:

Name: Rocky Hill Veterans Apartments (Supplemental)
Project Address: West of Rocky Hill Road, South of Holly Lane
Project City, County, Zip Code: Vacaville, Solano, 95688

Project Sponsor Information:

Name: Trower Housing Partners, LP (Community Development Partners, Vacaville Community Housing and Affordable Housing Alliance II, Inc., dba Integrity Housing)
Principals: Eric Paine, Kyle Paine and Sean Robbins for Community Development Partners; Charlie Learned, Cassandra Patton and Martin Pehl for Vacaville Community Housing; Anjela Ponce, Phil Wood and Dawn Allen for Affordable Housing Alliance II, Inc., dba Integrity Housing
Property Management Company: Solari Enterprises, Inc.

Project Financing Information:

Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Private Placement Purchaser: Citibank, N.A.
Cash Flow Permanent Bond: Not Applicable
Public Sale: Not Applicable
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Rating: Not Applicable
TEFRA Noticing Date: April 24, 2018
TEFRA Adoption Date: May 8, 2018

Description of Proposed Project:

State Ceiling Pool: Orrick, Herrington Sutcliffe I
Total Number of Units: 39
Manager's Units: 1
Type: New Construction
Population Served: Family

The proposed Project will support Veterans, including chronically homeless Veterans, and will consist of 3 two-story residential buildings, a community building and 36 surface parking spaces located on a 1.42 acre site in Vacaville. The Project will contain 38 tenant units (11 one-bedroom units, 15 three-bedroom units and 12 four-bedroom units) and a single one-bedroom manager's unit. Unit amenities will include private entrance, central heat/AC, carpeting, window coverings, stove/oven, refrigerator, dishwasher, and garbage disposal. Site amenities will include on-site management, resident service offices, community kitchen, community room, storage room, computer stations, TV area, classroom space, community garden, courtyard, laundry rooms and BBQ/picnic areas. Construction is expected to begin in September 2016 with completion in August 2018.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
37% (14 units) restricted to 50% or less of area median income households.
63% (24 units) restricted to 60% or less of area median income households.
Unit Mix: 1, 3 and 4 bedrooms

The proposed project will not be receiving service amenity points.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 27,525,990
Estimated Hard Costs per Unit: \$ 421,086 (\$16,422,365 /39 units including mgr. units)
Estimated per Unit Cost: \$ 705,795 (\$27,525,990 /39 units including mgr. units)
Allocation per Unit: \$ 105,128 (\$4,100,000 /39 units including mgr. units)
Allocation per Restricted Rental Unit: \$ 107,895 (\$4,100,000 /38 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 15,100,000	\$ 5,381,047
Syndication Payin	\$ 3,774,698	\$ 0
Income During Construction	\$ 74,569	\$ 74,569
Deferred Developer Fee Loan	\$ 1,400,000	\$ 469,094
Home Depot Grant Loan	\$ 300,000	\$ 300,000
DOJ Note	\$ 1,500,000	\$ 1,500,000
Citi Salute Grant Loan	\$ 35,000	\$ 35,000
LISC Loan	\$ 3,000,000	\$ 0
AHP Loan	\$ 380,000	\$ 380,000
Bond Claim Proceeds	\$ 0	\$ 4,000,000
VHHP	\$ 0	\$ 3,577,535
City of Vacaville Loan	\$ 1,113,000	\$ 1,113,000
Owner Equity	\$ 848,723	\$ 10,695,745
Total Sources	\$ 27,525,990	\$ 27,525,990

Uses of Funds:	
Land Cost/Acquisition	\$ 1,139,000
Rehabilitation	\$ 0
Relocation	\$ 0
New Construction	\$ 17,456,818
Contractor Overhead & Profit	\$ 1,313,789
Architectural Fees	\$ 1,045,000
Survey and Engineering	\$ 76,000
Construction Interest and Fees	\$ 1,116,620
Permanent Financing	\$ 109,600
Legal Fees	\$ 442,500
Reserves	\$ 326,000
Appraisal	\$ 8,000
Hard Cost Contingency	\$ 923,000
Local Development Impact Fees	\$ 1,498,665
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 670,998
Developer Costs	\$ 1,400,000
Total Uses	\$ 27,525,990

Analyst Comments:

This project is considered a high cost per unit project. During the site improvements construction process the shipping container provider, Growth Point Structures (GPS), altered their production process by moving to a much larger facility. When production of the containers began there were continuous delays. Deliveries were pushed back months. Additionally, the containers that arrived were not completed. They were missing drywall, tubs, light fixtures, etc. According to the explanation provided, only after the second floor of containers finally arrived was it obvious that the cast iron plumbing on the first and second floors also did not align and the containers arrived in various levels of disrepair. Eventually they canceled the contract with GPS and kicked them off the project. Today they are in the process of repairing the 54 containers that were received at the site. The cost to repair and complete was roughly \$2,000,000. Additionally, they've had to process a new set of construction drawings for the final 24 units which will now be standard wood-frame construction. The explanation states that the cost to process plans and repair the damaged containers increased the total cost of the project above the original high cost they started with.

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.

Recommendation:

Staff recommends that the Committee approves \$4,100,000 in tax-exempt bond allocation.