

**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: Richard Fischer*

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<b>Applicant:</b>	<b>California Housing Finance Agency</b>
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<b>Allocation Amount Requested:</b>	<b>Tax-exempt:</b> \$13,686,000
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<b>Project Information:</b>	<b>Name:</b> Fairwood Apartments
	<b>Project Address:</b> 8839 Fair Oaks Boulevard
	<b>Project City, County, Zip Code:</b> Carmichael, Sacramento, 95608

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<b>Project Sponsor Information:</b>	<b>Name:</b> OAHS Fairwood, LP (OAHS Fairwood GP, LLC and PH Fairwood Holdings, LLC)
	<b>Principals:</b> Meyer Orbach, Jay Reinhard and Efram Friedman for OAHS Fairwood GP, LLC and Mark Wiese, Mat Eland and Scott Sadler for PH Fairwood Holdings, LLC
	<b>Property Management Company:</b> Orbach Affordable Management LLC

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<b>Project Financing Information:</b>	<b>Bond Counsel:</b> Orrick, Herrington & Sutcliffe LLP
	<b>Private Placement Purchaser:</b> Berkadia Commercial Mortgage LLC
	<b>Cash Flow Permanent Bond:</b> Not Applicable
	<b>Public Sale:</b> Not Applicable
	<b>Underwriter:</b> Not Applicable
	<b>Credit Enhancement Provider:</b> Not Applicable
	<b>Rating:</b> Not Applicable
	<b>TEFRA Noticing Date:</b> March 9, 2018
	<b>TEFRA Adoption Date:</b> March 30, 2018

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<b>Description of Proposed Project:</b>	<b>State Ceiling Pool:</b> General
	<b>Total Number of Units:</b> 86
	<b>Manager's Units:</b> 1 Restricted
	<b>Type:</b> Acquisition and Rehabilitation
	<b>Population Served:</b> Family

Fairwood Apartments is an existing project located in Carmichael on a 4.49-acre site. The project consists of 85 restricted rental units and 1 restricted manager unit. The project has 22 one-bedroom units, 48 two-bedroom units and 16 three-bedroom units. The renovations will include building exterior and interior upgrades. Building exterior renovations will consist of roof replacement, window replacements and a fresh coat of paint. Interior renovations will include leasing office upgrades. Individual apartment units will be updated with countertops, cabinets, fixtures, paint and electrical updates. Lastly, common or site area renovations will consist of concrete repairs, asphalt replacement, ADA updates. The rehabilitation is expected to begin in June 2018 and be completed in September 2019.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%

15% (13 units) restricted to 50% or less of area median income households.

85% (73 units) restricted to 60% or less of area median income households.

**Unit Mix:** 1, 2 & 3 bedrooms

The proposed project will not be receiving service amenity points.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

<b>Estimated Total Development Cost:</b>	\$ 23,011,504	
<b>Estimated Hard Costs per Unit:</b>	\$ 40,000	(\$3,440,000 /86 units including mgr. unit)
<b>Estimated per Unit Cost:</b>	\$ 267,576	(\$23,011,504 /86 units including mgr. unit)
<b>Allocation per Unit:</b>	\$ 159,140	(\$13,686,000 /86 units including mgr. unit)
<b>Allocation per Restricted Rental Unit:</b>	\$ 159,140	(\$13,686,000 /86 restricted unit)

<b>Sources of Funds:</b>	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 13,686,000	\$ 13,686,000
LIH Tax Credit Equity	\$ 2,754,193	\$ 6,405,097
Deferred Developer Fee	\$ 2,471,311	\$ 644,375
Seller Carryback Loan	\$ 2,000,000	\$ 2,000,000
Bridge Construction Loan	\$ 2,100,000	\$ 0
Net Income From Operations	\$ 0	\$ 276,032
<b>Total Sources</b>	<b>\$ 23,011,504</b>	<b>\$ 23,011,504</b>

<b>Uses of Funds:</b>	
Land Cost/Acquisition	\$ 14,100,000
Rehabilitation	\$ 3,846,915
Relocation	\$ 100,000
Contractor Overhead & Profit	\$ 272,780
Architectural Fees	\$ 135,000
Construction Interest and Fees	\$ 111,716
Permanent Financing	\$ 288,482
Legal Fees	\$ 402,000
Reserves	\$ 362,290
Appraisal	\$ 10,650
Hard Cost Contingency	\$ 255,864
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 436,238
Developer Costs	\$ 2,689,569
<b>Total Uses</b>	<b>\$ 23,011,504</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:**

53 out of 140 [See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approves \$13,686,000 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	10
Exceeding Minimum Income Restrictions:	35	15	28
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	0
Large Family Units	5	5	0
Leveraging	10	10	0
Community Revitalization Area	5	5	0
Site Amenities	10	10	5
Service Amenities	10	10	0
New Construction or Substantial Renovation	10	10	10
Sustainable Building Methods	10	10	0
Forgone Eligible Developer Fee (Competitive Allocation Process Only)	10	10	N/A
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	N/A
Negative Points (No Maximum)	-10	-10	0
<b>Total Points</b>	<b>140</b>	<b>110</b>	<b>53</b>