

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
September 19, 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: \$1,300,000

The amount of allocation requested is supplemental to the \$29,560,000 of allocation the Project received on September 16, 2015.

Project Information:

Name: Las Cortes Apartments (Supplemental)
Project Address: 100 Amelia Court
Project City, County, Zip Code: Oxnard, Ventura, 93030

Project Sponsor Information:

Name: UHC 00558 Oxnard, L.P. (UHC 00558 Oxnard Holdings LLC & Las Cortes, Inc.)
Principals: Douglas R. Bigley, John F. Bigley & David H. Bigley for UHC 00558 Oxnard Holdings LLC; Bryan A. MacDonald & Tony V. Grey for Las Cortes, Inc.
Property Management Company: Hyder Property Management Professional

Project Financing Information:

Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Private Placement Purchaser: Bank of America, N.A. (constr.)/ HUD FHA 221(d)(4) (Perm)
Cash Flow Permanent Bond: Not Applicable
Public Sale: Not Applicable
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Rating: Not Applicable
TEFRA Noticing Date: June 18, 2018
TEFRA Adoption Date: July 7, 2018

Description of Proposed Project:

State Ceiling Pool: General
Total Number of Units: 142
Manager's Units: 2 Unrestricted
Type: New Construction
Population Served: Family

Las Cortes is a new construction community of 144 multi-family rental apartments for large families situated on 10.533 acres of land that will be leased from the Housing Authority of the City of Oxnard. Structures will consist of three product types: a 3-story flat 45-unit building with elevator; three 6-plex townhome buildings; and twelve 12-, 13- or 14-plex U-shaped townhome structures. There will also be a community center building and two free-standing laundry buildings. The exteriors of all buildings will be Spanish motif. The 45-unit building, the three 6-plex buildings and community building will be Pueblo style. The twelve 12-, 13- and 14-plex structures will be either Monterey or Santa Barbara style. Roofs will be a combination of concrete tiles with asphalt shingles where solar panels are to be located on each building. Unit interior features include: living/dining area and bedroom floors of laminate wood, tiled kitchen and bath floors, garbage disposal, energy-star rated appliances, walk-in closets and central heating. Due to the climate in this area, air conditioning is not required. Construction began in fall of 2015 and is expected to be completed October 2018.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
35% (50 units) restricted to 50% or less of area median income households.
65% (92 units) restricted to 60% or less of area median income households.
Unit Mix: 1, 2, 3 & 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:	\$ 61,533,778	
Estimated Hard Costs per Unit:	\$ 230,066	(\$33,129,579 /144 units including mgr. unit(s)
Estimated per Unit Cost:	\$ 427,318	(\$61,533,778 /144 units including mgr. unit(s)
Allocation per Unit:	\$ 214,306	(\$30,860,000 /144 units including mgr. unit(s)
Allocation per Restricted Rental Unit:	\$ 217,324	(\$30,860,000 /142 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 31,000,000	\$ 0
Dougherty Mortgage-HUD 221(d)(4)	\$ 24,537,351	\$ 32,950,450
LIH Tax Credit Equity	\$ 1,197,749	\$ 25,100,743
UHC 00558 Oxnard Development LLC	\$ 1,296,359	\$ 400,266
City of Oxnard - Def Impact Fees	\$ 3,082,319	\$ 3,082,319
Total Sources	<u>\$ 61,113,778</u>	<u>\$ 61,533,778</u>

Uses of Funds:	
Land Cost/Acquisition	\$ 2,646,680
Relocation	\$ 752,867
New Construction	\$ 34,906,217
Contractor Overhead & Profit	\$ 1,539,265
Architectural Fees	\$ 1,100,790
Survey and Engineering	\$ 1,137,712
Construction Interest and Fees	\$ 4,248,877
Permanent Financing	\$ 1,104,737
Legal Fees	\$ 224,530
Reserves	\$ 974,719
Appraisal	\$ 25,000
Hard Cost Contingency	\$ 2,121,307
Local Development Impact Fees	\$ 3,349,303
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 4,981,774
Developer Costs	<u>\$ 2,500,000</u>
Total Uses	<u>\$ 61,613,778</u>

Analyst Comments:

According to the Applicant, the project has experienced a number of delays, which as a result has increased the construction costs. These delays included the requirement for the overhead utility lines to be relocated underground; enhanced public road segments within the project; and the project needed to now provide garages for 99 of the units. According to the Applicant, the processing of the new plans took more than six (6) months by which time the plans had significantly changed from what the utility engineer had designed. Therefore, they are requesting this supplemental allocation to enable the project to meet the 50% test.

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 \$1,300,000 in tax-exempt bond allocation on a carryforward basis.

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
September 16, 2015
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Richard Fischer

Applicant: California Statewide Communities Development Authority

Allocation Amount Requested:
Tax-exempt: \$29,560,000

Project Information:
Name: Las Cortes Apartments
Project Address: 100 Amelia Court
Project City, County, Zip Code: Oxnard, Ventura, 93030

Project Sponsor Information:
Name: UHC 00558 Oxnard, L.P. (UHC 00558 Oxnard Holdings LLC & Las Cortes, Inc.)
Principals: Douglas R. Bigley, John F. Bigley & David H. Bigley for UHC 00558 Oxnard Holdings LLC; Bryan A. MacDonald & Tony V. Grey for Las Cortes, Inc.
Property Management Company: Hyder Property Management Professionals

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Bank of America, N.A. (constr.)/ HUD FHA 221(d)(4) (Perm)
TEFRA Hearing Date: April 22, 2014

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 142, plus 2 manager units
Type: New Construction
Type of Units: Family

Las Cortes is a new construction community of 144 multi-family rental apartments for large families situated on 10.533 acres of land that will be leased from the Housing Authority of the City of Oxnard. Structures will consist of three product types: a 3-story flat 45-unit building with elevator; three 6-plex townhome buildings; and twelve 12-, 13- or 14-plex U-shaped townhome structures. There will also be a community center building and two free-standing laundry buildings. The exteriors of all buildings will be Spanish motif. The 45-unit building, the three 6-plex buildings and community building will be Pueblo style. The twelve 12-, 13- and 14-plex structures will be either Monterey or Santa Barbara style. Roofs will be a combination of concrete tiles with asphalt shingles where solar panels are to be located on each building. Unit interior features include: Living/dining area and bedroom floors of laminate wood. Tiled kitchen and bath floors. Garbage disposal. Energy-star rated appliances consisting of dishwasher, refrigerator and stove. Walk-in closets. Central Heat. Due to the climate in this area, airconditioning is not required. Anticipated start of construction is fall of 2015 and finishing fall of 2016.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
35% (50 units) restricted to 50% or less of area median income households.
65% (92 units) restricted to 60% or less of area median income households.
Unit Mix: 1, 2, 3 & 4 bedrooms

There are no service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 58,137,963
Estimated Hard Costs per Unit: \$ 233,669 (\$33,180,954 /142 units)
Estimated per Unit Cost: \$ 409,422 (\$58,137,963 /142 units)
Allocation per Unit: \$ 208,169 (\$29,560,000 /142 units)
Allocation per Restricted Rental Unit: \$ 208,169 (\$29,560,000 /142 restricted units)

The Project has total project costs that appear high for the geographic area in which it is located. According to the Project sponsor, the high cost is due to this being the redevelopment of 260 public housing units in two phases. This application represents the first phase. The existing units were built in the early 1950's of Gunitite and chicken wire. Thus, they are beyond repair and must be torn down. In addition, the City is requiring the overhead utility lines to be underground, enhanced public road segments within the project and that they provide garages for 99 of the units. Lastly, this is a HUD 221(d)(4) program, which requires higher reserves during construction than what is customary.

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 29,560,000	\$ 29,560,000
Reserves	\$ 585,000	\$ 0
Deferred Developer Fee	\$ 1,500,517	\$ 437,684
LIH Tax Credit Equity	\$ 100	\$ 24,361,396
Dir. & Indir. Pub. Funds (Deferred Impact Fees)	\$ 3,778,883	\$ 3,778,883
Other (HUD 221 (d)(4) Fin Const. Bridge Loan)	<u>\$ 22,713,463</u>	<u>\$ 0</u>
Total Sources	\$ 58,137,963	\$ 58,137,963

Uses of Funds:	
Acquisition/Land Purchase	\$ 1
New Construction Costs	\$ 29,171,415
Relocation	\$ 1,080,000
Architect & Engineering Fees	\$ 2,188,612
Impact Fees	\$ 4,045,868
Permits	\$ 689,008
Contingency Costs	\$ 2,309,589
Construction Period Expenses	\$ 4,799,468
Permanent Financing Expenses	\$ 6,567,956
Legal Fees	\$ 360,000
Capitalized Reserves	\$ 1,948,605
Other Soft Costs	\$ 2,477,441
Developer Costs	<u>\$ 2,500,000</u>
Total Uses	\$ 58,137,963

Description of Financial Structure and Bond Issuance:

This is a Bank of America private placement HUD transaction for the construction phase only. During the construction financing phase the loan term will be for 24 months with a (Variable) interest rate of Libor + 50 bps for the A facility bonds and for the B facility bonds loan term will be for 24 months with a (Fixed) interest rate of .90 bps. Additional bridge financing provided by Bank of America at a floating rate interest-only of 4% fixed with a term of when the HUD loan is put in place. Dougherty Mortgage LLC will facilitate the HUD 221(d)(4) permanent financing phase. The loan term will be for 40 years with an amortization period of 40 years at a underwritten rate of 5.28%.

Analyst Comments:

Not Applicable

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: 79.3 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$29,560,000 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
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]	10
Gross Rents	5	5	5
Large Family Units	5	5	5
Leveraging	10	10	6.8
Community Revitalization Area	15	15	0
Site Amenities	10	10	7.5
Service Amenities	10	10	0
New Construction	10	10	10
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
Total Points	130	100	79.3

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.