

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
October 17, 2018
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Chee Thao Yang

Applicant: California Statewide Communities Development Authority

Allocation Amount Requested:
Tax-exempt: \$17,641,112

Project Information:
Name: Aqua Apartments
Project Address: 317 E. 17th Street
Project City, County, Zip Code: Santa Ana, Orange, 92706

Project Sponsor Information:
Name: Aqua Housing LP (Aqua CDP LLC; Mercy House CHDO Inc; & Affordable Housing Alliance III, Inc., dba Integrity Housing)
Principals: Eric Paine, Kyle Paine & Sean Robbins for Aqua CDP; Larry G. Haynes for Mercy House CHDO Inc.; Anjela Ponce, Phil Wood, & 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: December 4, 2017
TEFRA Adoption Date: December 19, 2017

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 57
Manager's Units: 1 Unrestricted
Type: New Construction
Population Served: Family/Special Needs

Aqua Apartments is a new construction project located in Santa Ana on a 0.90-acre site. The project will consist of 56 restricted rental units and 1 unrestricted manager unit. The project will have 12 studio units and 45 one-bedroom units. The project will consist of 2 four-story residential buildings with the third building hosting community amenities and on-site management and service offices. Common amenities include outdoor community spaces, a community deck, a lawn area for sports, a barbeque area, a community garden, laundry facilities, on-site offices for management and support services staff, a community flex room for educational classes, elevators servicing the buildings and an on-grade parking garage plus tuck-under parking. Each unit will have Energy Star appliances, vinyl plank floorings, cabinets, countertops, low-flow plumbing fixtures, air conditioning and heating. There will be 33 parking spaces provided. The construction is expected to begin in March 2019 and be completed in May 2020.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
71% (40 units) restricted to 50% or less of area median income households.
29% (16 units) restricted to 60% or less of area median income households.
Unit Mix: Studio & 1 bedroom

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: \$ 29,025,445
Estimated Hard Costs per Unit: \$ 258,393 (\$14,728,377 /57 units including mgr. unit)
Estimated per Unit Cost: \$ 509,218 (\$29,025,445 /57 units including mgr. unit)
Allocation per Unit: \$ 309,493 (\$17,641,112 /57 units including mgr. unit)
Allocation per Restricted Rental Unit: \$ 315,020 (\$17,641,112 /56 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 17,641,112	\$ 9,385,233
LIH Tax Credit Equity/Investor's Equity	\$ 945,463	\$ 9,454,629
Deferred Reserves	\$ 316,907	\$ 0
Deferred Developer Fee	\$ 3,086,164	\$ 1,208,783
Special Needs Housing Program Loan (CalHFA)	\$ 7,035,800	\$ 7,035,800
IH CDP Partnership, LLC IIG Loan	\$ 0	\$ 1,941,000
Total Sources	\$ 29,025,446	\$ 29,025,445

Uses of Funds:	
Land Cost/Acquisition	\$ 3,965,825
New Construction	\$ 15,822,470
Contractor Overhead & Profit	\$ 1,325,554
Architectural Fees	\$ 468,158
Survey and Engineering	\$ 113,500
Construction Interest and Fees	\$ 1,644,367
Permanent Financing	\$ 201,389
Legal Fees	\$ 215,000
Reserves	\$ 316,907
Appraisal	\$ 10,000
Hard Cost Contingency	\$ 891,096
Local Development Impact Fees	\$ 458,590
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 506,425
Developer Costs	\$ 3,086,164
Total Uses	\$ 29,025,445

Analyst Comments:

This project is considered a high cost per unit project. The following factors contribute to this cost: prevailing wages, purchasing of building materials and finishes that will ensure durability to frequent wear and tear, upsizing of plumbing, flooring materials that are cut resistant to accommodate individuals and families with special needs and use of steel and concrete to ensure stability for a parking garage being built on the ground floor.

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:

54.6 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$17,641,112 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	0
Exceeding Minimum Income Restrictions:	35	15	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	7.1
Large Family Units	5	5	0
Leveraging	10	10	0
Community Revitalization Area	5	5	0
Site Amenities	10	10	2.5
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
Total Points	140	120	54.6