

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**December 12, 2018**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Ruben Barcelo*

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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>	\$11,012,857

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<b>Project Information:</b>	
<b>Name:</b>	<b>Gravenstein Apartments</b>
<b>Project Address:</b>	699 Gravenstein Highway North
<b>Project City, County, Zip Code:</b>	Sebastopol, Sonoma, 95472

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<b>Project Sponsor Information:</b>	
<b>Name:</b>	Gravenstein Apartments, LP (Gravenstein Apartments, LLC)
<b>Principals:</b>	Lawrance Florin
<b>Property Management Company:</b>	Burbank Housing Management Corporation

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<b>Project Financing Information:</b>	
<b>Bond Counsel:</b>	Orrick, Herrington & Sutcliffe LLP
<b>Private Placement Purchaser:</b>	U.S. Bank, N.A.
<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>	October 5, 2018
<b>TEFRA Adoption Date:</b>	November 2, 2018

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<b>Description of Proposed Project:</b>	
<b>State Ceiling Pool:</b>	General
<b>Total Number of Units:</b>	60
<b>Manager's Units:</b>	1 Unrestricted
<b>Type:</b>	Acquisition and Rehabilitation
<b>Population Served:</b>	Family

Gravenstein Apartments is an existing project located in Sebastopol on a 3.56-acre site. The project consists of 48 restricted rental units, 11 market rate units and 1 unrestricted manager unit distributed as 52 two-bedroom units and 8 three-bedroom units. Exterior renovations will include new roof gutters and downspouts, windows, sliding glass doors, decks, stairs and landings, siding and fascia repair, new ADA unit patios and fresh paint. Interior renovations will include upgrades to the laundry and community rooms and the fire alarm system will be tested and upgraded. Individual apartment units will be updated with new kitchen appliances, bathroom and kitchen cabinets and countertops, exhaust fans, baseboard heaters, water heaters, flooring, window coverings, smoke/CO detectors, wall repair and fresh paint. Site area renovations will include concrete repairs, parking lot seal and re-stripe, ADA path-of-travel and parking stall upgrades, new carport roofs, replacement of picnic tables and BBQ units, tot-lot upgrades, tree removal, retaining wall repair, landscape and irrigation upgrades, new LED lighting, and new mailboxes and signage. The rehabilitation is expected to begin in March 2019 and be completed in November 2019.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 80%

37% (22 units) restricted to 50% or less of area median income households.

44% (26 units) restricted to 60% or less of area median income households.

**Unit Mix:** 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>	\$ 20,170,583	
<b>Estimated Hard Costs per Unit:</b>	\$ 68,822	(\$4,129,290 /60 units including mgr. units)
<b>Estimated per Unit Cost:</b>	\$ 336,176	(\$20,170,583 /60 units including mgr. units)
<b>Allocation per Unit:</b>	\$ 183,548	(\$11,012,857 /60 units including mgr. units)
<b>Allocation per Restricted Rental Unit:</b>	\$ 229,435	(\$11,012,857 /48 restricted units)

<b>Sources of Funds:</b>	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 11,012,857	\$ 0
Taxable Loan	\$ 0	\$ 2,640,500
LIH Tax Credit Equity	\$ 797,546	\$ 7,173,183
Sponsor Takeout Loan	\$ 0	\$ 2,500,000
GP Capital and Reserves	\$ 261,361	\$ 261,361
Deferred Developer Fee	\$ 0	\$ 493,776
Deferred Costs	\$ 1,098,896	\$ 0
Seller Carryback Loan	\$ 4,793,542	\$ 4,793,542
HCD RHCP Loan	\$ 971,054	\$ 971,054
Net Income From Operations	\$ 0	\$ 101,840
Sonoma County HOME Loan	\$ 129,289	\$ 129,289
Sonoma County CDBG Loan	\$ 717,560	\$ 717,560
Sonoma County CDBG Loan	\$ 388,478	\$ 388,478
Total Sources	\$ 20,170,583	\$ 20,170,583

<b>Uses of Funds:</b>	
Land Cost/Acquisition	\$ 10,100,000
Rehabilitation	\$ 4,465,905
Relocation	\$ 690,242
Contractor Overhead & Profit	\$ 330,342
Architectural Fees	\$ 315,900
Construction Interest and Fees	\$ 547,755
Permanent Financing	\$ 333,951
Legal Fees	\$ 75,000
Reserves	\$ 268,564
Appraisal	\$ 12,000
Hard Cost Contingency	\$ 719,437
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 417,711
Developer Costs	\$ 1,893,776
Total Uses	\$ 20,170,583

**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:**

71 out of 140 [See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approves \$11,012,857 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]	1
Large Family Units	5	5	0
Leveraging	10	10	10
Community Revitalization Area	5	5	0
Site Amenities	10	10	10
Service Amenities	10	10	0
New Construction or Substantial Renovation	10	10	10
Sustainable Building Methods	10	10	5
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>120</b>	<b>71</b>