

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: Felicity Wood

Applicant:	California Statewide Communities Development Authority
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Allocation Amount Requested:	Tax-exempt:	\$48,700,000
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Project Information:	Name:	Morgan Tower Apartments
	Project Address:	1415 D Avenue
	Project City, County, Zip Code:	National City, San Diego, 91950

Project Sponsor Information:	Name:	Morgan Tower Housing Associates, L.P. (CHW Morgan Development, LLC and Mercy Morgan Development, LLC)
	Principals:	Anne B. Wilson, Ed Holder, and Erika Villablanca
	Property Management Company:	Mercy Housing Management Group

Project Financing Information:	Bond Counsel:	Jones Hall, A Professional Law Corporation
	Private Placement Purchaser:	MUFG Union Bank, 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:	June 18, 2018
	TEFRA Adoption Date:	July 3, 2018

Description of Proposed Project:	State Ceiling Pool:	General
	Total Number of Units:	152
	Manager's Units:	1 Unrestricted
	Type:	Acquisition and Rehabilitation
	Population Served:	Senior Citizens

Morgan Tower Apartments is an existing project located in the City of National City on a 2.16-acre site. The project consists of 141 restricted rental units, 10 unrestricted units, and one unrestricted managers' units. The project has 152 one-bedroom units. The renovations will include building (exterior/interior) upgrades. Building exterior renovations will consist of roof and roof drain replacement. Interior renovations will include the laundry room, hobby room and library upgrades. Individual apartment units will be updated with adaptable kitchens in all units, new balcony railings, and new urethane waterproof coating on balcony decks. Lastly, site area renovations will consist of landscape and irrigation repairs to cut down water usage, asphalt repairs and repaving. The rehabilitation is expected to begin in April 2019 and be completed in October 2020.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 93%

53% (80 units) restricted to 50% or less of area median income households.

40% (61 units) restricted to 60% or less of area median income households.

Unit Mix: 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:	\$ 66,057,288	
Estimated Hard Costs per Unit:	\$ 84,051	(\$12,775,709 /152 units including mgr. unit)
Estimated per Unit Cost:	\$ 434,587	(\$66,057,288 /152 units including mgr. unit)
Allocation per Unit:	\$ 320,395	(\$48,700,000 /152 units including mgr. unit)
Allocation per Restricted Rental Unit:	\$ 345,390	(\$48,700,000 /141 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 48,700,000	\$ 19,820,000
LIH Tax Credit Equity	\$ 0	\$ 23,356,958
Developer Equity	\$ 2,057,884	\$ 6,106,600
Deferred Costs	\$ 1,998,694	\$ 596,500
Seller Carryback Loan	\$ 13,300,710	\$ 13,300,710
GP Loan (AHP)	\$ 0	\$ 1,500,000
NOI During Rehab Period	\$ 0	\$ 1,276,520
CDLAC Performance Deposit Refund	\$ 0	\$ 100,000
Total Sources	\$ 66,057,288	\$ 66,057,288

Uses of Funds:	
Land Cost/Acquisition	\$ 33,800,000
Rehabilitation	\$ 14,133,995
Relocation	\$ 604,000
Contractor Overhead & Profit	\$ 1,034,064
Architectural Fees	\$ 620,000
Survey and Engineering	\$ 40,942
Construction Interest and Fees	\$ 4,453,915
Permanent Financing	\$ 10,000
Legal Fees	\$ 202,000
Reserves	\$ 664,272
Appraisal	\$ 9,000
Hard Cost Contingency	\$ 1,649,771
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 728,729
Developer Costs	\$ 8,106,600
Total Uses	\$ 66,057,288

Analyst Comments:

None

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:

55 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$48,700,000 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]	0.00
Large Family Units	5	5	0.00
Leveraging	10	10	0.00
Community Revitalization Area	5	5	0.00
Site Amenities	10	10	10.00
Service Amenities	10	10	0.00
New Construction or Substantial Renovation	10	10	10.00
Sustainable Building Methods	10	10	0.00
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	0.00
Total Points	140	120	55.00