

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: Chee Thao Yang

Applicant: Housing Authority of the County of San Bernardino

Allocation Amount Requested:
Tax-exempt: \$55,000,000

Project Information:
Name: Arrowhead Grove Phase 2 Apartments
Project Address: Baseline Street and Crestview Avenue
Project City, County, Zip Code: San Bernardino, San Bernardino, 92410

Project Sponsor Information:
Name: Waterman Gardens Partners 2, LP (WG Partners 2 MGP, LLC; Waterman Affordable 3, LLC; WG 2 DGP, LLC)
Principals: Michael Finn for WG Partners 2 MGP, LLC; Maria Razo for Waterman Affordable 3, LLC; Patrick Clancy for WG 2 DGP, LLC
Property Management Company: National Community Renaissance of California

Project Financing Information:
Bond Counsel: Ballard Spahr LLP
Private Placement Purchaser: Bank of America, 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: August 4, 2018
TEFRA Adoption Date: September 5, 2018

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 184
Manager's Units: 2 Unrestricted
Type: New Construction
Population Served: Family

Arrowhead Grove Phase 2 Apartments is a new construction project located in the City of San Bernadino on a 8.9 -acre site. The project consists of 147 restricted rental units, 35 market rate units and 2 unrestricted managers' units. The project will have 28 one-bedroom units, 102 two-bedroom units, 42 three-bedroom units, 10 four-bedroom units and 2 five-bedroom units. The buildings will be two and three stories. Common amenities include a pool, a community center, recreational space, tot lots, computer lab, clubhouse, courtyard, laundry facilities and on-site management. Each unit will have new stainless steel sinks with garbage disposal, cabinets, shower/bathtub, range /oven and exhaust vent hood and appliances. There are 276 parking spaces provided. The project will be pursuing LEED Certification. The construction is expected to begin in March 2019 and be completed in June 2021.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 81%

42% (77 units) restricted to 50% or less of area median income households.

38% (70 units) restricted to 60% or less of area median income households.

Unit Mix: 1, 2, 3, 4 & 5 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:	\$ 76,801,250	
Estimated Hard Costs per Unit:	\$ 196,409	(\$36,139,243 /184 units including mgr. units)
Estimated per Unit Cost:	\$ 417,398	(\$76,801,250 /184 units including mgr. units)
Allocation per Unit:	\$ 298,913	(\$55,000,000 /184 units including mgr. units)
Allocation per Restricted Rental Unit:	\$ 374,150	(\$55,000,000 /147 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 55,000,000	\$ 19,060,000
LIH Tax Credit Equity	\$ 4,502,374	\$ 22,511,869
City of San Bernardino Loan	\$ 1,500,000	\$ 1,500,000
Deferred Costs	\$ 5,309,590	\$ 0
County of San Bernardino Loan	\$ 2,900,000	\$ 2,900,000
AHSC HRI/TRA/STI Grant	\$ 2,577,286	\$ 2,577,286
HA County of San Bernardino Loan	\$ 3,812,000	\$ 3,812,000
Dignity Health	\$ 1,200,000	\$ 1,200,000
AHSC ICP-AHD Loan	\$ 0	\$ 17,422,714
NCRC GP Equity	\$ 0	\$ 5,817,381
Total Sources	\$ 76,801,250	\$ 76,801,250

Uses of Funds:	
Land Cost/Acquisition	\$ 5,750,758
New Construction	\$ 41,302,746
Contractor Overhead & Profit	\$ 3,297,800
Architectural Fees	\$ 2,725,000
Survey and Engineering	\$ 525,000
Construction Interest and Fees	\$ 5,172,879
Permanent Financing	\$ 37,500
Legal Fees	\$ 410,000
Reserves	\$ 1,095,272
Appraisal	\$ 25,000
Hard Cost Contingency	\$ 2,541,584
Local Development Impact Fees	\$ 3,075,848
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 2,024,482
Developer Costs	\$ 8,817,381
Total Uses	\$ 76,801,250

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:

80 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$55,000,000 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
Large Family Units	5	5	5
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	10
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	80