

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**January 16, 2019**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Sarah Lester*

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**Applicant:** California Housing Finance Agency

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**Allocation Amount Requested:**  
**Tax-exempt:** \$11,870,000

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**Project Information:**  
**Name:** Heritage Plaza  
**Project Address:** 920-1180 Delta Street & 1825-1875 Benton Drive  
**Project City, County, Zip Code:** Redding, Shasta, 96003

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**Project Sponsor Information:**  
**Name:** Herritage Plaza Redding, L.P. (Kingdom Redding, LLC and AMREV Redding, LLC)  
**Principals:** William Leach, Rusty Leach and Mallory Drohan for Kingdom Development, Inc.; and Robert Lawler for AMREV Redding, LLC  
**Property Management Company:** FPI Management, Inc.

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**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:** October 5, 2018  
**TEFRA Adoption Date:** November 2, 2018

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 180  
**Manager's Units:** 2 Unrestricted  
**Type:** Acquisition and Rehabilitation  
**Population Served:** Family

Heritage Plaza Apartments is an existing project located in Redding on a 12.93 acre site. The project consists of 178 restricted rental units and 2 unrestricted manager unit. The project has 4 Studio units, 64 one-bedroom units, 72 two-bedroom units and 40 three-bedroom units. The renovations will include exterior and interior upgrades. Exterior renovations will consist of replacing the tot lot with new equipment and soft flooring, improving the community garden, new roofs and renovating the barbeque areas. Interior renovations will include the addition of a computer lab. Individual apartment units will be updated with a new refrigerator, range, range hood, windows, water heater and swamp coolers, replacement of bathroom fixtures where needed, replacement of kitchen cabinets and counters (for 70 units) and replacement of all toilets with low-flow toilets. Lastly, common or site area renovations will consist of improving the path of travel throughout the project to comply with ADA regulations and repair/replacement of landscaping as needed. The rehabilitation is expected to begin in the first quarter of 2019 and be completed in last quarter of 2019.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%  
31% (56 units) restricted to 50% or less of area median income households.  
69% (122 units) restricted to 60% or less of area median income households.  
**Unit Mix:** Studio, 1, 2 & 3 bedrooms

The proposed project will be receiving service amenity points.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

|   |               |  |
|---|---------------|--|
| <b>Estimated Total Development Cost:</b>      | \$ 21,397,370 |  |
| <b>Estimated Hard Costs per Unit:</b>         | \$ 23,000     | (\$4,140,000) /180 units including mgr. units) |
| <b>Estimated per Unit Cost:</b>               | \$ 118,874    | (\$21,397,370 /180 units including mgr. units) |
| <b>Allocation per Unit:</b>                   | \$ 65,944     | (\$11,870,000 /180 units including mgr. units) |
| <b>Allocation per Restricted Rental Unit:</b> | \$ 66,685     | (\$11,870,000 /178 restricted units)           |

| <b>Sources of Funds:</b>        | <u>Construction</u>  | <u>Permanent</u>     |
|---------------------------------|----------------------|----------------------|
| Tax-Exempt Bond Proceeds        | \$ 11,870,000        | \$ 9,370,000         |
| LIH Tax Credit Equity           | \$ 4,643,832         | \$ 5,727,100         |
| Deferred Developer Fee          | \$ 0                 | \$ 1,226,409         |
| Deferred Costs                  | \$ 2,309,677         | \$ 0                 |
| Seller Reserves                 | \$ 770,000           | \$ 770,000           |
| Seller Credit for STW           | \$ 1,100,000         | \$ 1,100,000         |
| Operating Income                | \$ 703,861           | \$ 703,861           |
| CalHFA Taxable Subordinate Loan | \$ 0                 | \$ 2,500,000         |
| Total Sources                   | <u>\$ 21,397,370</u> | <u>\$ 21,397,370</u> |

| <b>Uses of Funds:</b>                             |                      |
|---|----------------------|
| Land Cost/Acquisition                             | \$ 11,046,300        |
| Rehabilitation                                    | \$ 4,427,989         |
| Relocation  | \$ 25,000            |
| Contractor Overhead & Profit                      | \$ 331,200           |
| Architectural Fees                                | \$ 237,450           |
| Construction Interest and Fees                    | \$ 1,023,738         |
| Permanent Financing                               | \$ 131,285           |
| Legal Fees  | \$ 120,000           |
| Reserves  | \$ 935,445           |
| Hard Cost Contingency                             | \$ 512,867           |
| Other Project Costs (Soft Costs, Marketing, etc.) | \$ 201,419           |
| Developer Costs                                   | <u>\$ 2,404,677</u>  |
| Total Uses  | <u>\$ 21,397,370</u> |

**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:**

57.5 out of 140 [See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approves \$11,870,000 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 |
|--|--|--|---------------|
| Preservation Project   | 20   | 20   | 10            |
| Exceeding Minimum Income Restrictions:   | 35   | 15   | 35            |
| Exceeding Minimum Rent Restrictions<br>[Allowed if 10 pts not awarded above in Preservation Project] | [10]   | [10]   | 0             |
| Large Family Units   | 5  | 5  | 0             |
| Leveraging   | 10   | 10   | 0             |
| Community Revitalization Area  | 5  | 5  | 0             |
| Site Amenities   | 10   | 10   | 7.5           |
| Service Amenities  | 10   | 10   | 5             |
| New Construction or Substantial Renovation   | 10   | 10   | 0             |
| Sustainable Building Methods   | 10   | 10   | 0             |
| Forgone Eligible Developer Fee<br>(Competitive Allocation Process Only)                              | 10   | 10   | N/A           |
| Minimum Term of Restrictions<br>(Competitive Allocation Process Only)                                | 10   | 10   | N/A           |
| Negative Points (No Maximum)   | -10  | -10  | N/A           |
| <b>Total Points</b>  | <b>140</b>   | <b>110</b>                                       | <b>57.5</b>   |