

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 20, 2019
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Ruben Barcelo

Applicant:	Housing Authority of the City of San Luis Obispo
Allocation Amount Requested:	Tax-exempt: \$57,000,000
Project Information:	Name: RAD 175 (Scattered Site) Project Address: 448 South St., 441 Branch St. and 2173 King St., 1600 Toro St., 508-520 Hathway St., 478-480 High St., 11650-11690 Los Osos Valley Rd., 456-493 Leff St., 228 High St., 2929 Augusta St., 2126 Harris St., 1497 Royal Way, 1240 Southwood Dr., 711 Upham St., 4280 South Higuera, 1172 Leff St., 1175 Islay St. and 1635 Toro St. Project City, County, Zip Code: San Luis Obispo, San Luis Obispo, 93401
Project Sponsor Information:	Name: RAD 175, LP (San Luis Obispo Non-profit Housing Corp.) Principals: Scott Smith and Ken Litzinger Property Management Company: Housing Authority of San Luis Obispo
Project Financing Information:	Bond Counsel: Quint & Thimmig LLP Private Placement Purchaser: Pacific Western Bank 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 1, 2018 TEFRA Adoption Date: October 16, 2018
Description of Proposed Project:	State Ceiling Pool: General Total Number of Units: 175 Manager's Units: 2 Unrestricted Type: Acquisition and Rehabilitation Population Served: Family

RAD 175 is an existing project in San Luis Obispo on 14 scattered sites with an aggregate area of 11.5 acres. The project will provide 124 restricted units, 2 unrestricted manager units and 49 market rate units, distributed as 10 studios, 18 one-bedroom, 57 two-bedroom, 59 three-bedroom, 29 four-bedroom and 2 five-bedroom units. Exterior renovations include trim replacement, selective window replacement, metal railing refinishing, entry door and hardware replacement and fresh paint. Interior renovations will include new washers and dryers at common laundry facilities. Individual units will be updated with new kitchen appliances, countertops, plumbing fixtures, flooring, doors, light fixtures, exhaust fans, smoke detectors, fire sprinklers, furnaces, water heaters, window coverings, refinished cabinets, electrical upgrades and fresh paint. Site renovations will include new fencing, landscaping and drainage improvements, path-of-travel and parking upgrades for ADA compliance, new lighting and signage. The rehabilitation will begin in June 2019 and be completed in August 2021.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 72%
72% (124 units) restricted to 50% or less of area median income households.
0% (0 units) restricted to 60% or less of area median income households.
Unit Mix: Studio, 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: \$ 105,061,916
Estimated Hard Costs per Unit: \$ 89,976 (\$15,745,756 /175 units including mgr. units)
Estimated per Unit Cost: \$ 600,354 (\$105,061,916 /175 units including mgr. units)
Allocation per Unit: \$ 325,714 (\$57,000,000 /175 units including mgr. units)
Allocation per Restricted Rental Unit: \$ 459,677 (\$57,000,000 /124 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 57,000,000	\$ 13,119,300
LIH Tax Credit Equity	\$ 17,912,041	\$ 32,767,803
General Partner Capital Contribution/Grant	\$ 2,500,000	\$ 2,500,000
General Partner Developer Fee	\$ 0	\$ 7,741,982
Deferred Developer Fee	\$ 1,500,000	\$ 1,500,000
Deferred Costs	\$ 10,734,609	\$ 0
Seller Carryback Loan	\$ 14,220,725	\$ 46,238,290
Carryback Loan Deferred Interest	\$ 1,194,541	\$ 1,194,541
Total Sources	\$ 105,061,916	\$ 105,061,916

Uses of Funds:	
Land Cost/Acquisition	\$ 62,030,000
Rehabilitation	\$ 16,450,815
Relocation	\$ 1,400,000
Contractor Overhead & Profit	\$ 1,512,648
Architectural Fees	\$ 700,000
Survey and Engineering	\$ 100,000
Construction Interest and Fees	\$ 3,759,950
Permanent Financing	\$ 45,000
Legal Fees	\$ 90,000
Reserves	\$ 1,367,627
Appraisal	\$ 30,000
Hard Cost Contingency	\$ 2,694,519
Local Development Impact Fees	\$ 0
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 2,389,375
Developer Costs	\$ 12,491,982
Total Uses	\$ 105,061,916

Analyst Comments:

HUD affordable housing rules require the sale of this property at appraised value. This requirement alone pushed the cost per unit to over \$350,000. The high cost was also driven by a large developer fee calculated according to TCAC guidelines. To mitigate these high cost drivers, the developer included offsetting elements in the financing plan that include the following: the city is providing a seller carryback loan of over \$51 million with terms that require no debt service payments; the general partner is providing equity of \$7.7 million; and the general partner is also providing a funding grant of \$2.5 million. By subtracting the value of these three funding sources from the total project cost, the cost per unit is \$277,609.

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:

70 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$57,000,000 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	20
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	0
Community Revitalization Area	5	5	0
Site Amenities	10	10	0
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	110	70