

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 17, 2019
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Richard Fischer

Applicant: California Statewide Communities Development Authority

Allocation Amount Requested:

Tax-exempt: \$18,000,000

Project Information:

Name: Hermosa Vista Apartments
Project Address: 15363 & 15425 Goldenwest Street
Project City, County, Zip Code: Huntington Beach, Orange, 92647

Project Sponsor Information:

Name: Hermosa 2019 LP (Hermosa 2019 COGP LLC & AOF Hermosa LLC)
Principals: Marquis E. Hyatt for Hermosa 2019 COGP LLC; William W. Hirsch and Visalios Salamandrakis for AOF Hermosa, LLC
Property Management Company: VPM Management, Inc.

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: May 23, 2019
TEFRA Adoption Date: June 3, 2019

Description of Proposed Project:

State Ceiling Pool: General
Total Number of Units: 88
Manager's Units: 1 Unrestricted
Type: Acquisition and Rehabilitation
Population Served: Family

Hermosa Vista Apartments is an existing project located in Huntington Beach on a 2.13-acre site. The project consists of 87 restricted rental units and 1 unrestricted manager unit. The project has 8 Studio units, 28 one-bedroom units and 52 two-bedroom units. The renovations will include building exterior and interior upgrades. Building exterior renovations will consist of stucco repairs, roof replacement, window replacements and a fresh coat of paint. Interior renovations will include laundry room, leasing office and community room upgrades. Individual apartment units will be updated with a new kitchen appliance package, paint and electrical lighting updates. The rehabilitation is expected to begin in August 2019 and will be completed in August 2020.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
30% (26 units) restricted to 50% or less of area median income households.
70% (61 units) restricted to 60% or less of area median income households.
Unit Mix: Studio, 1 & 2 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: \$ 29,054,712
Estimated Hard Costs per Unit: \$ 33,885 (\$2,981,882 /88 units including mgr. unit)
Estimated per Unit Cost: \$ 330,167 (\$29,054,712 /88 units including mgr. unit)
Allocation per Unit: \$ 204,545 (\$18,000,000 /88 units including mgr. unit)
Allocation per Restricted Rental Unit: \$ 206,897 (\$18,000,000 /87 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 18,000,000	\$ 12,594,000
LIH Tax Credit Equity	\$ 3,329,130	\$ 7,576,361
Developer Equity	\$ 0	\$ 477,400
Deferred Developer Fee	\$ 0	\$ 1,801,089
KDF Hermosa LP (Seller Carryback)	\$ 2,100,000	\$ 2,100,000
City of Huntington B. RDA	\$ 3,325,000	\$ 3,325,000
Net Income From Operations	\$ 833,315	\$ 1,180,862
Total Sources	<u>\$ 27,587,445</u>	<u>\$ 29,054,712</u>

Uses of Funds:	
Land Cost/Acquisition	\$ 19,700,000
Rehabilitation	\$ 3,136,064
Relocation	\$ 108,000
Contractor Overhead & Profit	\$ 283,279
Architectural Fees	\$ 79,100
Survey and Engineering	\$ 45,000
Construction Interest and Fees	\$ 1,318,975
Permanent Financing	\$ 179,200
Legal Fees	\$ 150,000
Reserves	\$ 313,255
Appraisal	\$ 3,350
Hard Cost Contingency	\$ 339,934
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 193,555
Developer Costs	<u>\$ 3,205,000</u>
Total Uses	<u>\$ 29,054,712</u>

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:

82.5 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$18,000,000 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	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	0
Leveraging	10	10	10
Community Revitalization Area	5	5	0
Site Amenities	10	10	7.5
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	82.5