

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

Prepared by: Chee Thao Yang

Applicant:	California Statewide Communities Development Authority
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Allocation Amount Requested:	Tax-exempt: \$121,400,000
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Project Information:	Name: Hawaiian Gardens Apartments
	Project Address: 11950 Centralia Road
	Project City, County, Zip Code: Hawaiian Gardens, Los Angeles, 90716

Project Sponsor Information:	Name: Centralia Affordable Communities, LP (Pacific Housing Inc.; Centralia Communities, LLC; Centralia for Ten, LLC)
	Principals: Mark Wiese for Pacific Housing Inc.; Jules Arthur, Ruben Islas, Mike Coit & Matt Coit for Centralia Communities, LLC; Lani Yee, Bethany Jubenville, Gloria Bailon, Michael Vasquez, Molly O'Dell, Peter Lopez-Hodoyan, Rebecca Hyatt & Jeremy Turner for Centralia for Ten, LLC
	Property Management Company: Logan Property Management, Inc.

Project Financing Information:	Bond Counsel: Orrick, Herrington & Sutcliffe LLP
	Private Placement Purchaser: Citibank, N.A./Hawaiian Gardens Housing Partners, LP
	Cash Flow Permanent Bond: Hawaiian Gardens Housing Partners, LP
	Public Sale: Not Applicable
	Underwriter: Not Applicable
	Credit Enhancement Provider: Not Applicable
	Rating: Not Applicable
	TEFRA Noticing Date: August 20, 2019
	TEFRA Adoption Date: August 27, 2019

Description of Proposed Project:	State Ceiling Pool: General
	Total Number of Units: 264
	Manager's Units: 2 Unrestricted
	Type: Acquisition and Rehabilitation
	Population Served: Family

Hawaiian Gardens Apartments is an existing project located in Hawaiian Gardens on a 11.28-acre site. The project consists of 241 restricted rental units, 21 market rate units and 2 unrestricted managers' units. The project has 212 two-bedroom units and 52 three-bedroom units. The renovations will include building exterior and interior upgrades. Building exterior renovations will consist of roof replacement, windows and sliding glass door replacement and general drywall repairs. Interior renovations will include community room upgrades and laundry room upgrades. Individual apartment units will be updated with new flooring in all units, painting of all unit interiors, new medicine cabinets, mirrors towel bars and toilet paper holders, new kitchen cabinets and countertops, new bathroom cabinets and countertops, new range, range hood and refrigerator, new kitchen sink, new toilets, installation of sink garbage disposals and electrical updates. Lastly, common or site area renovations will consist of termite treatment, asbestos abatement, asphalt repair, reseal and stripe, new signage and repair of playground. The rehabilitation is expected to begin in March 2020 and be completed in December 2020.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 92%
31% (80 units) restricted to 50% or less of area median income households.
61% (161 units) restricted to 60% or less of area median income households.
Unit Mix: 2 & 3 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: \$ 139,348,632
Estimated Hard Costs per Unit: \$ 48,479 (\$12,798,361 /264 units including mgr. units)
Estimated per Unit Cost: \$ 527,836 (\$139,348,632 /264 units including mgr. units)
Allocation per Unit: \$ 459,848 (\$121,400,000 /264 units including mgr. units)
Allocation per Restricted Rental Unit: \$ 503,734 (\$121,400,000 /241 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 72,500,000	\$ 72,500,000
Cash Flow Permanent Bonds	\$ 15,800,000	\$ 15,682,396
Tranche B Financing	\$ 33,100,000	\$ 0
LIH Tax Credit Equity	\$ 544,126	\$ 37,901,730
Deferred Developer Fee	\$ 17,182,998	\$ 13,042,998
Existing Reserves	\$ 221,508	\$ 221,508
Total Sources	\$ 139,348,632	\$ 139,348,632

Uses of Funds:	
Land Cost/Acquisition	\$ 98,614,400
Rehabilitation	\$ 13,786,036
Relocation	\$ 264,000
Contractor Overhead & Profit	\$ 1,085,301
Architectural Fees	\$ 100,000
Construction Interest and Fees	\$ 4,145,102
Legal Fees	\$ 325,000
Reserves	\$ 1,447,971
Appraisal	\$ 10,000
Hard Cost Contingency	\$ 1,422,040
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 965,784
Developer Costs	\$ 17,182,998
Total Uses	\$ 139,348,632

Analyst Comments:

The Project sited that because of the substantial rehabilitation of the building, it is causing the project cost per unit to exceed the \$500,000/unit requirement. They are replacing all water heaters and HVAC, all windows and roofs, providing new flooring, cabinets, countertops, plumbing fixtures, electrical fixtures, new appliances and window coverings. They are also doing upgrades to the existing landscape and irrigation system.

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:

63.7 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$121,400,000 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	33.7
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	0
Community Revitalization Area	5	5	0
Site Amenities	10	10	10
Service Amenities	10	10	0
New Construction or Substantial Renovation	10	10	0
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	63.7