

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
February 12, 2020
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Isaac Clark III

| | | | |
|---|---|---|--|
| Applicant: | California Municipal Finance Authority | | |
| Allocation Amount Requested: | Tax-exempt: | \$23,150,000 | |
| Project Information: | Name: | Mission Heritage Plaza | |
| | Project Address: | 3933 Mission Inn Avenue 3655 Fairmount Boulevard | |
| | Project City, County, Zip Code: | Riverside, Riverside, 92501 | |
| Project Sponsor Information: | Name: | Mission Heritage, LP (Wakeland Mission Heritage, LLC / MHP-FH, LLC) | |
| | Principals: | Kenneth L. Sauder, President & CEO / Rebecca Louis, VP & COO / Joan Edelman, CFO / Peter Armstrong, VP of Development for Wakeland Mission Heritage, LLC / Rose Mayes, ED for MHP-FH, LLC | |
| | Property Management Company: | ConAm Management Corporation | |
| Project Financing Information: | Bond Counsel: | Jones Hall, A Professional Law Corporation | |
| | Private Placement Purchaser: | Wells Fargo Bank, 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: | December 3, 2019 | |
| | TEFRA Adoption Date: | December 17, 2019 | |
| Description of Proposed Project: | State Ceiling Pool: | General | |
| | Total Number of Units: | 72 | |
| | Manager's Units: | 1 Unrestricted | |
| | Type: | New Construction | |
| | Population Served: | Family | |

Mission Heritage Plaza is a new construction project located in Riverside. The project consists of a five-story building (Building A), a three-story building (Building B) and at grade parking. The project consists of 71 restricted rental units, 0 market rate units and 1 unrestricted manager unit. The project will have 30 one-bedroom units, 24 two-bedroom units and 18 three-bedroom units. Common amenities include children's playground, outdoor BBQ and seating areas for dining. The project incorporates many sustainability and energy efficiency strategies including: a whole systems design approach, energy efficient lighting, materials with recycled content, water efficient fixtures. There are a total number of 71 parking spaces. The construction is expected to begin July 2020 and be completed in March 2022.

Description of Public Benefits:

| | |
|---|-------------------|
| Percent of Restricted Rental Units in the Project: | 100% |
| <u>77%</u> (55 units) restricted to 50% or less of area median income households. | |
| <u>23%</u> (16 units) restricted to 60% or less of area median income households. | |
| Unit Mix: | 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:

| | | | |
|---|----|--------------|---|
| Estimated Total Development Cost: | \$ | 44,399,762 | |
| Estimated Hard Costs per Unit: | \$ | 353,250 | (\$25,434,018 /72 units including mgr. units) |
| Estimated per Unit Cost: | \$ | 616,663 | (\$44,399,762 /72 units including mgr. units) |
| Allocation per Unit: | \$ | 321,528 | (\$23,150,000 /72 units including mgr. units) |
| Allocation per Restricted Rental Unit: | \$ | 326,056 | (\$23,150,000 /71 restricted units) |
| Sources of Funds: | | | |
| | | Construction | Permanent |
| Tax-Exempt Bond Proceeds | \$ | 23,150,000 | \$ 3,280,500 |
| Cash Flow Permanent Bonds | \$ | 0 | \$ 0 |
| Tranche B Financing | \$ | 0 | \$ 0 |
| Wells Fargo Construction Loan | \$ | 5,992,940 | \$ 10,826,931 |
| LIH Tax Credit Equity | \$ | 0 | \$ 18,268,878 |
| State Budget Allocation | \$ | 2,000,000 | \$ 2,000,000 |
| Deferred Developer Fee | \$ | 1,331,825 | \$ 1,331,825 |
| Costs Deferred Until Conversion | \$ | 3,005,198 | \$ 0 |
| Housing Authority of the City of Riverside | \$ | 3,000,000 | \$ 107,263 |
| CDLAC PD Deposit Refund | \$ | 100,000 | \$ 100,000 |
| Accrued Deferred Interest-Seller Carryback | \$ | 107,263 | \$ 4,001,485 |
| City of Riverside TUMF | \$ | 444,648 | \$ 444,648 |
| HCD HASC HRI | \$ | 3,585,000 | \$ 3,000,000 |
| Capital Contribution (LP) | \$ | 1,682,888 | \$ 1,038,232 |
| Total Sources | \$ | 44,399,762 | \$ 44,399,762 |
| Uses of Funds: | | | |
| Land Cost/Acquisition | \$ | 1,315,919 | |
| Rehabilitation | \$ | 0 | |
| Relocation | \$ | 0 | |
| New Construction | \$ | 28,206,273 | |
| Contractor Overhead & Profit | \$ | 0 | |
| Architectural Fees | \$ | 1,790,000 | |
| Survey and Engineering | \$ | 670,245 | |
| Construction Interest and Fees | \$ | 2,697,298 | |
| Permanent Financing | \$ | 0 | |
| Legal Fees | \$ | 115,000 | |
| Reserves | \$ | 876,103 | |
| Appraisal | \$ | 43,000 | |
| Hard Cost Contingency | \$ | 1,734,076 | |
| Local Development Impact Fees | \$ | 0 | |
| Other Project Costs | \$ | 2,413,618 | |
| Developer Costs | \$ | 4,538,230 | |
| Total Uses | \$ | 44,399,762 | |

Analyst Comments:

This project is considered a high cost per unit project. An allocation of Project Based Section 8 vouchers and requirements from Affordable Housing and Sustainable Community have contributed to this projects high cost.

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:

120 out of 145 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$23,150,000 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 | 0 |
| Exceeding Minimum Income Restrictions: | 35 | 15 | 35 |
| Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project] | [10] | [10] | 10 |
| Gross Rents | 5 | 5 | 5 |
| Large Family Units | 5 | 5 | 0 |
| Leveraging | 10 | 10 | 10 |
| Community Revitalization Area | 5 | 5 | 0 |
| Site Amenities | 10 | 10 | 10 |
| Service Amenities | 10 | 10 | 10 |
| New Construction or Substantial Renovation | 10 | 10 | 10 |
| Sustainable Building Methods | 10 | 10 | 10 |
| Forgone Eligible Developer Fee (Competitive Allocation Process Only) | 10 | 10 | 10 |
| Minimum Term of Restrictions (Competitive Allocation Process Only) | 10 | 10 | 10 |
| Negative Points (No Maximum) | -10 | -10 | 0 |
| Total Points | 145 | 125 | 120 |