

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
April 14, 2020
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Richard Fischer

Applicant: Housing Authority of the City of Anaheim

Allocation Amount Requested:
Tax-exempt: \$20,310,000

Project Information:

Name: Hermosa Village Phase II
Project Address: 1226 W. Cerritos Avenue, 1300 W. Cerritos Avenue, 1312 W. Cerritos Avenue, 1318 W. Cerritos Avenue, 1330 W. Cerritos Avenue, 1334 W. Cerritos Avenue, 1531 S. Hampstead Street, 1537 S. Hampstead Street, 1542 S. Hampstead Street, 1613 S. Hampstead Street, 1625 S. Hampstead Street, 1626 S. Hampstead Street, 1211 Lynne Street, 1223 Lynne Street, 1229 Lynne Street, 1319 Lynne Street, 1337 Lynne Street, 1524 Ninth Street, 1530 Ninth Street, 1600 Ninth Street, 1612 Ninth Street, 1618 Ninth Street, and 1624 Ninth Street

Project City, County, Zip Code: Anaheim, Orange, 92802

Project Sponsor Information:

Name: Hermosa Village Phase II Housing Partners, L.P.
(Related/Hermosa Village Phase II Development Co., LLC and National Community Renaissance of California)

Principals: Frank Cardone, William Witte for Related/Hermosa Village Phase II Development Co., LLC and Robert Diaz for National Community Renaissance of California

Property Management Company: Related Management Company

Project Financing Information:

Bond Counsel: Stradling, Yocca, Carlson & Rauth
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 17, 2019
TEFRA Adoption Date: November 5, 2019

Description of Proposed Project:

State Ceiling Pool: General
Total Number of Units: 112
Manager's Units: 1 Unrestricted
Type: Acquisition and Rehabilitation
Population Served: Family

Hermosa Village Phase II Apartments is an existing 23 building project located in Anaheim on a 4.13-acre site. The project consists of 111 restricted rental units and 1 unrestricted manager unit. The project has 14 one-bedroom units, 55 two-bedroom units and 43 three-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 appliance package, countertops, cabinets, electrical and plumbing fixtures, paint and electrical updates. Lastly, common or site area renovations will consist of concrete repairs, asphalt replacement, ADA updates. The rehabilitation is expected to begin in July 2020 and will be completed in July 2021.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
91% (101 units) restricted to 50% or less of area median income households.
9% (10 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, such as after school programs of an ongoing nature and instructor-led educational, health and wellness or skill building classes and a bona-fide Social Worker.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 35,131,567
Estimated Hard Costs per Unit: \$ 60,474 (\$6,773,115 /112 units including mgr. unit)
Estimated per Unit Cost: \$ 313,675 (\$35,131,567 /112 units including mgr. unit)
Allocation per Unit: \$ 181,339 (\$20,310,000 /112 units including mgr. unit)
Allocation per Restricted Rental Unit: \$ 182,973 (\$20,310,000 /111 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 20,310,000	\$ 12,375,000
Tranche B Financing	\$ 0	\$ 2,363,000
Taxable Bond Proceeds	\$ 1,071,410	\$ 0
LH Tax Credit Equity	\$ 1,310,000	\$ 9,715,410
Deferred Developer Fee	\$ 1,690,000	\$ 380,000
Deferred Costs	\$ 452,000	\$ 0
City of Anaheim Carryback Loan	\$ 2,860,000	\$ 2,860,000
City of Anaheim Residual	\$ 5,730,000	\$ 5,730,000
Net Income From Operations	\$ 994,353	\$ 994,353
Accrued Interest (Seller)	\$ 118,404	\$ 118,404
Accrued Interest (Residual)	\$ 458,400	\$ 458,400
Replacement Reserves	\$ 137,000	\$ 137,000
Total Sources	\$ 35,131,567	\$ 35,131,567
Uses of Funds:		
Land Cost/Acquisition	\$ 18,180,000	
Rehabilitation	\$ 7,501,974	
Relocation	\$ 695,000	
Contractor Overhead & Profit	\$ 593,746	
Architectural Fees	\$ 683,708	
Survey and Engineering	\$ 394,300	
Construction Interest and Fees	\$ 2,024,804	
Permanent Financing	\$ 25,000	
Legal Fees	\$ 200,000	
Reserves	\$ 406,000	
Appraisal	\$ 15,000	
Hard Cost Contingency	\$ 809,572	
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 602,463	
Developer Costs	\$ 3,000,000	
Total Uses	\$ 35,131,567	

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:

140 out of 145 [See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$20,310,000 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
Gross Rents	5	5	5
Leveraging	10	10	10
Community Revitalization Area	5	5	5
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	140