

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
September 16, 2020
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

Allocation Amount Requested:

Tax-exempt: \$26,000,000

Project Information:

Name: Legacy Square Apartments
Project Address: 609 N. Spurgeon Street
Project City, County, Zip Code: Santa Ana, Orange, 92701

Project Sponsor Information:

Name: Legacy Square, L.P. (NCRC Legacy MGP, LLC & Mercy House CHDO, Inc.)
Principals: Steve Pontell, Michael Ruane, Michael Finn & Robert Diaz for NCRC Legacy MGP, LLC; Larry Haynes for Mercy House CHDO, Inc.
Property Management Company: National Community Renaissance of California

Project Financing Information:

Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Private Placement Purchaser: Bank of America, N.A.
Cash Flow Permanent Bond: Not Applicable
Public Sale: Not Applicable
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Rating: Not Applicable

Description of Proposed Project:

State Ceiling Pool: General
Total Number of Units: 93
Manager's Units: 1 Unrestricted
Type: New Construction
Population Served: Family

Legacy Square Apartments is a new construction project located in Santa Ana on a 1.74-acre site. The project consists of 92 restricted rental units and 1 unrestricted managers' unit. The project will have 30 one-bedroom units, 39 two-bedroom units and 24 three-bedroom units. Common amenities will include a community center, leasing/property management offices, a courtyard, tot lot playground, BBQ picnic areas, a computer center and laundry rooms. Each unit will have a patio/balcony, blinds, carpeting, central air conditioning, coat closet, refrigerator, oven, dishwasher and a garbage disposal. There will be 99 parking spaces provided. The construction is expected to begin in January 2021 and be completed in January 2023.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
82% (75 units) restricted to 50% or less of area median income households.
18% (17 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: \$ 49,044,692
Estimated Hard Costs per Unit: \$ 279,433 (\$25,987,248 /93 units including mgr. unit)
Estimated per Unit Cost: \$ 527,362 (\$49,044,692 /93 units including mgr. unit)
Allocation per Unit: \$ 279,570 (\$26,000,000 /93 units including mgr. unit)
Allocation per Restricted Rental Unit: \$ 282,609 (\$26,000,000 /92 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 26,000,000	\$ 5,258,706
Taxable Bond Proceeds	\$ 10,600,000	\$ 0
LIH Tax Credit Equity	\$ 3,599,379	\$ 17,996,896
Deferred Costs	\$ 1,253,988	\$ 72,501
NPLH	\$ 0	\$ 3,125,264
CA HCD-AHSC	\$ 0	\$ 15,000,000
CalHFA SNHP Funds	\$ 1,514,240	\$ 1,514,240
City of Santa Ana	\$ 3,170,547	\$ 3,170,547
GP Equity	\$ 2,906,538	\$ 2,906,538
Total Sources	\$ 49,044,692	\$ 49,044,692

Uses of Funds:	
Land Cost/Acquisition	\$ 2,886,837
New Construction	\$ 28,113,179
Contractor Overhead & Profit	\$ 2,290,566
Architectural Fees	\$ 1,110,000
Survey and Engineering	\$ 750,000
Construction Interest and Fees	\$ 3,072,707
Permanent Financing	\$ 77,587
Legal Fees	\$ 400,000
Reserves	\$ 633,468
Appraisal	\$ 10,000
Hard Cost Contingency	\$ 1,632,029
Local Development Impact Fees	\$ 1,342,168
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 1,319,613
Developer Costs	\$ 5,406,538
Total Uses	\$ 49,044,692

Analyst Comments:

This project is considered a high cost per unit project. The Applicant cited four factors that contributes to the high cost of the project: 1) Securing Affordable Housing and Sustainable Community (AHSC), as a funding source required project to include a number of efficiency features, including expanded solar PV system, upgraded building envelop, and HVAC system; 2) Construction of a large podium parking that will allow for appropriate parking for a large family project while maximizing the number of units; 3) demolition of two dilapidated major structures, a former church and church offices that contain environmental hazards and will therefore necessitate remediation before demolition can occur; and 4) construction cost estimates have increased considerably given the current state of supply chains.

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:

130 out of 145 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$26,000,000 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	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
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	130