

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**December 9, 2020**  
**Staff Report**  
***REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A***  
***QUALIFIED RESIDENTIAL RENTAL PROJECT***

*Prepared by: Norma Velarde*

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**Applicant:** California Statewide Communities Development Authority

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**Allocation Amount Requested:**

**Tax-exempt:** \$4,000,000

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**Project Information:**

**Name:** Oroville Apartments  
**Project Address:** 39 Nelson Avenue  
**Project City, County, Zip Code:** Oroville, Butte, 95695

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**Project Sponsor Information:**

**Name:** HPD Oroville LP (Highland Property Development LLC; Hearthstone Gary P. Downs (Managing Member); Kristoffer J. Kaufmann (Managing Member); Douglas Day (Member); Paul Patierno (Chief Financial Officer); Socorro Vasquez, Executive Director and President of Hearthstone Housing Foundation (HHF); Juan Maldonado (Treasurer); Victor Wu (Secretary)

**Property Management Company:** FPI Management

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**Project Financing Information:**

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

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**Description of Proposed Project:**

**State Ceiling Pool:** Rural  
**Total Number of Units:** 62  
**Manager's Units:** 1 Unrestricted  
**Type:** Acquisition and Rehabilitation  
**Population Served:** Family

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Oroville Apartments is an existing project located in Oroville on a 5.80 -acre site. The project consists of 61 restricted rental units and 1 unrestricted managers' units. The project has 12 one-bedroom units, 29 two-bedroom units and 20 three-bedroom units. The renovations will include building interior upgrades. Building exterior renovations will consist of window replacements. Interior renovations will include leasing office and community room upgrades. Individual apartment units will be updated with individual high efficiency HVAC systems. Lastly, common or site area renovations will consist of ADA updates. The rehabilitation is expected to begin in April 2021 and be completed in October 2021.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%  
31% (19 units) restricted to 50% or less of area median income households.  
69% (42 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:**

<b>Estimated Total Development Cost:</b>	\$ 7,616,742	
<b>Estimated Hard Costs per Unit:</b>	\$ 45,000	(\$2,790,000 /62 units including mgr. units)
<b>Estimated per Unit Cost:</b>	\$ 122,851	(\$7,616,742 /62 units including mgr. units)
<b>Allocation per Unit:</b>	\$ 64,516	(\$4,000,000 /62 units including mgr. units)
<b>Allocation per Restricted Rental Unit:</b>	\$ 65,574	(\$4,000,000 /61 restricted units)

<b>Sources of Funds:</b>	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 4,000,000	\$ 0
Cash Flow Permanent Bonds	\$ 0	\$ 0
Tranche B Financing	\$ 0	\$ 0
Taxable Bond Proceeds	\$ 0	\$ 4,000,000
LIH Tax Credit Equity	\$ 1,985,039	\$ 1,985,039
Developer Equity	\$ 0	\$ 0
Deferred Developer Fee	\$ 681,703	\$ 681,703
Deferred Costs	\$ 0	\$ 0
Seller Carryback Loan	\$ 0	\$ 0
Itemized Public Funds Sources	\$ 0	\$ 0
Net Income From Operations	\$ 80,000	\$ 80,000
USDA RD 515 Loan	\$ 870,000	\$ 870,000
Misc	\$ 0	\$ 0
<b>Total Sources</b>	<b>\$ 7,616,742</b>	<b>\$ 7,616,742</b>

<b>Uses of Funds:</b>	
Land Cost/Acquisition	\$ 2,231,000
Rehabilitation	\$ 3,002,040
Relocation	\$ 50,000
New Construction	\$ 0
Contractor Overhead & Profit	\$ 223,200
Architectural Fees	\$ 75,000
Survey and Engineering	\$ 16,000
Construction Interest and Fees	\$ 172,100
Permanent Financing	\$ 142,000
Legal Fees	\$ 167,000
Reserves	\$ 292,100
Appraisal	\$ 10,000
Hard Cost Contingency	\$ 279,000
Local Development Impact Fees	\$ 0
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 147,526
Developer Costs	\$ 809,776
<b>Total Uses</b>	<b>\$ 7,616,742</b>

**Analyst Comments:**

None

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**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.

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**Total Points:**

135 out of 145 [See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approves \$4,000,000 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	5.00
Gross Rents	5	5	5.00
Leveraging	10	10	10.00
Community Revitalization Area	5	5	0.00
Site Amenities	10	10	10.00
Service Amenities	10	10	10.00
New Construction or Substantial Renovation	10	10	10.00
Sustainable Building Methods	10	10	10.00
Forgone Eligible Developer Fee (Competitive Allocation Process Only)	10	10	10.00
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	10.00
Negative Points (No Maximum)	-10	-10	0.00
<b>Total Points</b>	<b>145</b>	<b>125</b>	<b>135.00</b>