

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: Ken Otrotsyuk

Applicant: California Statewide Communities Development Authority

Allocation Amount Requested:
Tax-exempt: \$6,000,000

Project Information:
Name: Spring Apartments & Encino Apartments
Project Address: 402 S. Eastern Avenue & 1165 B Street
Project City, County, Zip Code: Brawley, Imperial, 92227

Project Sponsor Information:
Name: HPD S-E LP (TBF) (Highland Property Development LLC & Hearthstone CA Properties II, LLC)
Principals: Gary P. Downs, Kristoffer J. Kaufmann, Douglas Day, Paul Patierno for Highland Property Development LLC; Socorro Vasquez, Juan Maldonado, Victor Wu for Hearthstone CA Properties II, LLC.
Property Management Company: Hyder & Company

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Private Placement Purchaser: JP Morgan Chase
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: Rural
Total Number of Units: 96
Manager's Units: 2 Unrestricted
Type: Acquisition and Rehabilitation
Population Served: Family

Spring Apartments & Encino Apartments is an existing project located in Brawley on a two closely-situated sites (approximately ½ mile from each other) of 3.67 acres and 2.06 acres. The project consists of 94 restricted rental units, 0 market rate units and 2 unrestricted managers' units. The project has 32 one-bedroom units and 62 two-bedroom units. The renovations will include building exterior and interior upgrades. Building exterior renovations will consist of exterior lighting upgrading to LED, stucco repairs and hard board siding repairs. Individual apartment units will be updated with individual high efficiency HVAC systems, energy-efficient water heaters, energy-star rated appliances and energy efficient light fixtures. Lastly, common or site area renovations will consist of parking areas resurfacing along with ongoing sealcoat and striping, sidewalk repairs/replacements, fencing replacements. 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%

34% (32 units) restricted to 50% or less of area median income households.

66% (62 units) restricted to 60% or less of area median income households.

Unit Mix: Studio & 1 bedroom

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:	\$ 11,636,790	
Estimated Hard Costs per Unit:	\$ 45,000	(\$4,320,000 /96 units including mgr. units)
Estimated per Unit Cost:	\$ 121,217	(\$11,636,790 /96 units including mgr. units)
Allocation per Unit:	\$ 62,500	(\$6,000,000 /96 units including mgr. units)
Allocation per Restricted Rental Unit:	\$ 63,830	(\$6,000,000 /94 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 6,000,000	\$ 0
LIH Tax Credit Equity	\$ 2,315,500	\$ 3,140,687
Deferred Developer Fee	\$ 0	\$ 1,178,103
USDA - Rural Development	\$ 2,150,000	\$ 2,150,000
Bonneville Mortgage Company	\$ 0	\$ 5,000,000
Net Income From Operations	\$ 168,000	\$ 168,000
Total Sources	\$ 10,633,500	\$ 11,636,790

Uses of Funds:	
Land Cost/Acquisition	\$ 3,711,000
Rehabilitation	\$ 4,648,320
Relocation	\$ 50,000
Contractor Overhead & Profit	\$ 345,600
Architectural Fees	\$ 100,000
Survey and Engineering	\$ 30,000
Construction Interest and Fees	\$ 261,150
Permanent Financing	\$ 138,500
Legal Fees	\$ 142,000
Reserves	\$ 355,300
Appraisal	\$ 15,000
Hard Cost Contingency	\$ 432,000
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 179,930
Developer Costs	\$ 1,227,990
Total Uses	\$ 11,636,790

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:

130 out of 145 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$6,000,000 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	0.00
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
Total Points	145	125	130.00