

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 20, 2016
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Brian Clark

Applicant: California Public Finance Agency

Allocation Amount Requested: Tax-exempt: \$15,000,000

Project Information:

Name: Guest House Apartments
Project Address: 2151 E. First Street
Project City, County, Zip Code: Santa Ana, Orange, 92705

Project Sponsor Information:

Name: Guest House, LP (CDP Guest House, LLC and Affordable Housing Alliance II, Inc., dba Integrity Housing)
Principals: Eric Paine, Kyle Paine and Sean Robbins for CDP Guest House, LLC; Anjela Ponce, Phil Wood and Dawn Allen for Affordable Housing Alliance II, Inc., dba Integrity Housing
Property Management Company: Solari Enterprises, Inc.

Project Financing Information:

Bond Counsel: Orrick, Herrington & Sutcliffe, LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, NA
TEFRA Noticing Date: January 4, 2016
TEFRA Adoption Date: January 19, 2016

Description of Proposed Project:

State Ceiling Pool: General
Total Number of Units: 71, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family/Special Needs

The Project, located in downtown Santa Ana on a 1.30 acre site, is currently a motel that will be converted/rehabilitated into apartments. Post-rehabilitation, the Project will be targeted to the chronically homeless, with a preference given to veterans. The Project, constructed in 1972, consists of 4 two-story buildings and 61 surface parking spaces. Five (5) of the current 77 units will be converted into a community kitchen, office space and ADA accessible units. Post-rehabilitation, the Project will house 71 tenant units (57 studio units and 14 one-bedroom units) and a single studio manager's unit. Rehabilitation will include new windows, kitchen appliances, cabinets, counter tops, flooring and heat/AC units. In addition, the swimming pool will be removed and replaced with a courtyard/picnic area. Community amenities will include a community kitchen and dining area, on-site management, service coordinator, community room, computer area, exercise facility and laundry facility. Rehabilitation is expected to begin in September 2016 and be completed in March 2017.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
41% (29 units) restricted to 50% or less of area median income households.
59% (42 units) restricted to 60% or less of area median income households.
Unit Mix: Studio & 1 bedroom

The proposed project will provide instructor-led educational, health and wellness or skill building classes for a minimum of 84 hours per year and a bona fide service coordinator.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	18,045,805	
Estimated Hard Costs per Unit:	\$	61,001	(\$4,331,038 /71 units)
Estimated per Unit Cost:	\$	254,166	(\$18,045,805 /71 units)
Allocation per Unit:	\$	211,268	(\$15,000,000 /71 units)
Allocation per Restricted Rental Unit:	\$	211,268	(\$15,000,000 /71 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 15,000,000	\$ 9,184,183
LIH Tax Credit Equity	\$ 1,325,000	\$ 6,629,898
City of Santa Ana HOME Loan	\$ 1,199,869	\$ 1,199,869
Deferred Developer Fee	\$ 520,936	\$ 1,031,855
Total Sources	\$ 18,045,805	\$ 18,045,805

Uses of Funds:	
Land Cost/Acquisition	\$ 6,750,000
Rehabilitation	\$ 5,164,980
Relocation	\$ 360,000
Contractor Overhead & Profit	\$ 498,070
Architectural Fees	\$ 157,212
Survey and Engineering	\$ 330,055
Construction Interest and Fees	\$ 510,096
Permanent Financing	\$ 10,000
Legal Fees	\$ 180,000
Reserves	\$ 594,095
Appraisal	\$ 10,000
Contingency Cost	\$ 566,305
Local Development Impact Fees	\$ 402,830
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 389,174
Developer Costs	\$ 2,122,988
Total Uses	\$ 18,045,805

Description of Financial Structure and Bond Issuance:

The bonds will be purchased in a private placement transaction by Citibank, NA. During the construction financing phase the loan term will be for 24 months with a fixed interest rate estimated at 2.44%. During the permanent financing phase, the loan term will be for 30 years with an amortization period of 35 years at a fixed rate estimated at 3.89% for Tranches A and B.

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: 70.4 out of 140

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$15,000,000 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]	6.4
Gross Rents	5	5	5
Large Family Units	5	5	0
Leveraging	10	10	0
Community Revitalization Area	5	5	0
Site Amenities	10	10	0
Service Amenities	10	10	10
New Construction or Substantial Renovation	10	10	10
Sustainable Building Methods	10	10	4
Forgone Eligible Developer Fee (Competitive Allocation Process Only)	10	10	0
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	0
Negative Points (No Maximum)	-10	-10	0
Total Points	140	120	70.4

The criteria for which points are awarded will also be incorporated into the Resolution transferring Allocation to the Applicant as well as the appropriate bond documents and loan and finance agreements.