

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 16, 2015
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Devon King

Applicant: Housing Authority of the County of Monterey

Allocation Amount Requested:
Tax-exempt: \$4,591,000

Project Information:
Name: Gonzales Family RAD Apartments
Project Address: 724 & 746 Belden Street, Belden Street & 8th Street; 116, 122 & 130 9th Street
Project City, County, Zip Code: Salinas, Monterey, 93926

Project Sponsor Information:
Name: HA RAD LLC4 (The Monterey County Housing Authority Development Corporation and The Housing Authority of the County of Monterey)
Principals: Tom Espinosa, Elizabeth Williams, Starla Warren for the Monterey County Housing Authority Development Corporation; Elizabeth Williams, Kevin Healy, Jean Goebel for the Housing Authority of the County of Monterey
Property Management Company: Housing Authority of the County of Monterey

Project Financing Information:
Bond Counsel: Quint & Thimmig LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Wells Fargo Bank N.A.
TEFRA Adoption Date: September 15, 2015

Description of Proposed Project:
State Ceiling Pool: Rural
Total Number of Units: 30, plus 0 manager units
Type: Acquisition and Rehabilitation
Type of Units: Family

The Gonzales Family RAD project is the rehabilitation of a scattered site housing development that will be converted to project-based assistance under the U.S. Department of Housing and Urban Development's (HUD's) Rental Assistance Demonstration (RAD) Program. There are a total of 30 housing units in Gonzales Family RAD project. The subject sites are all within 0.25 miles of each other. The project will target general occupancy households with incomes between 0 and 50 percent of AMI. The buildings are wood frame construction with slab foundations and perimeter foundations. The units have stucco exteriors and wood paneling. They have composition shingle roofs, vinyl and aluminum windows and metal gutters and downspouts. In the interiors, there is carpet in the bedrooms and living rooms and linoleum in the bathrooms and kitchens. Interior walls are painted sheetrock with 8 foot ceilings. The units have oak style cabinetry with laminate counters, fiberglass and tile

wainscoting, along with hollow core doors and sliding closet doors. The units feature standard plumbing and electrical and have individual wall furnaces and water heaters. Site amenities include a community room, picnic area, on-site manager, and laundry room. Unit amenities will include central heat/air, blinds, carpet, coat closet, patio/balcony, refrigerator, stove/oven and washer/dryer hook-ups. The Gonzales Family RAD project includes the replacement of kitchen appliances and cabinets; replacement of carpets, interior doors, light fixtures, bathroom faucets, sinks, tubs and surrounds, toilets and exhaust fans. The work will also include replacement of water heaters, furnaces, windows, roofs, and doors. Additionally, there will be asphalt repairs, repairs to the irrigation system, removal of sod, xeriscaping, and trees. During the renovation, the fence will also be repaired/replaced. Construction is anticipated to begin in December 2015 and be complete in October 2016.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 93%
93% (28 units) restricted to 50% or less of area median income households.
Unit Mix: 1,3,4, and 5 bedrooms

The proposed project will not be providing service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	7,968,893	
Estimated Hard Costs per Unit:	\$	35,088	(\$1,052,631 /30 units)
Estimated per Unit Cost:	\$	265,630	(\$7,968,893 /30 units)
Allocation per Unit:	\$	153,033	(\$4,591,000 /30 units)
Allocation per Restricted Rental Unit:	\$	153,033	(\$4,591,000 /28 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 4,591,000	\$ 1,314,426
Taxable Bond Proceeds	\$ 1,314,426	\$ 0
LIH Tax Credit Equity	\$ 386,461	\$ 1,992,269
Direct and Indirect Public Funds	\$ 1,400,000	\$ 4,579,036
Other (Soft Debt)	\$ 83,162	\$ 83,162
Total Sources	\$ 7,775,049	\$ 7,968,893

Uses of Funds:	
Acquisition/Land Purchase	\$ 4,600,000
Hard Construction Costs	\$ 1,199,999
Architect & Engineering Fees	\$ 55,517
Contractor Overhead & Profit	\$ 147,368
Developer Fee	\$ 797,837
Legal Fees	\$ 147,500
Relocation	\$ 200,000
Cost of Issuance	\$ 110,000
Operating Reserve	\$ 208,189
Construction and Permanent Financing	\$ 256,300
Other Soft Costs (Marketing, etc.)	\$ 246,183
Total Uses	\$ 7,968,893

Description of Financial Structure and Bond Issuance:

The proposed financial structure of the bond transaction will be a private placement by Wells Fargo Bank N.A. During the construction financing phase the loan term will be for 12 months with a variable interest rate equal to 1.75% above Lender's quoted one month LIBOR Rate. During the permanent financing phase, the loan term will be for 18 years with an amortization period of 35 years at a fixed rate of 15 year bond index plus 175bps or 4.10% for 15 years. There was no underwritten rate provided.

Analyst Comments:

Not applicable

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: 65 out of 130
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$4,591,000 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
Federally Assisted At-Risk Project or HOPE VI Project	20	20	0
Exceeding Minimum Income Restrictions:	35	15	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project]	[10]	[10]	10
Gross Rents	5	5	5
Large Family Units	5	5	5
Leveraging	10	10	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	0
Service Amenities	10	10	0
New Construction	10	10	0
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
Total Points	130	100	65

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.