

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 16, 2016
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Sarah Lester

Applicant: County of Contra Costa

Allocation Amount Requested:
Tax-exempt: \$15,988,000

Project Information:
Name: Virginia Lane Apartments
Project Address: 1121 and 1140 Virginia Lane
Project City, County, Zip Code: Concord, Contra Costa, 94520

Project Sponsor Information:
Name: VL, LP (VL, LLC)
Principals: Linda Mandolini, Kathleen Hamm, Calvin Whitaker and Jan Peters
Property Management Company: Eden Housing Management, Inc.

Project Financing Information:
Bond Counsel: Quint & Thimmig LLP
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, N.A.
TEFRA Noticing Date: December 18, 2015
TEFRA Adoption Date: January 19, 2016

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 89, plus 2 manager units
Type: Acquisition and Rehabilitation
Type of Units: Family

The proposed project is an 4% Federal tax credit and tax-exempt bond project that is 45 years old. The project comprises two sites in a central location in Concord. Virginia Lane comprises 91 units, with 6 residential buildings, and 1 leasing office building. The unit configuration for the 121 Virginia Lane site is comprised of 53 two bedroom units (includes 1 managers unit). The project proposed changing the manager unit form a 2br unit to a 1br unit, in order to include new pedestrian walkway; and the 1140 Virginia Lane site is comprised of 38 units (includes 1 managers unit). 32 one bedroom units. 6 two bedroom units (including the managers unit). The residential buildings for the project are two-story wood frame buildings with stucco finishes and painted wood trim. 5 buildings have flat roofs topped with a built-up bituminous membrane, and 1 building has gable and valley roofs finished with asphalt shingles. The project is 2.51 acres on a flat site without any unique features. It is a family project. The buildings share 3 common laundry rooms. The scope of rehabilitation will include restoring the integrity of the roofs, envelopes, and windows; updating mechanical, electrical, and plumbing systems; enhancing mobility and access; modifying buildings and systems to be in conformance with changes to the building code; as budget allows, making improvements to common areas and unit interiors; and, as the budget allows, "greening" and "blueing" the property with energy and water efficiency improvements and solar energy technology. Construction is anticipated to start in June 2016 and last approximately 13 months.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

87% (77 units) restricted to 50% or less of area median income households.

13% (12 units) restricted to 60% or less of area median income households.

Unit Mix: 1 & 2 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:	\$ 28,050,025	
Estimated Hard Costs per Unit:	\$ 79,038	(\$7,034,343 /89 units)
Estimated per Unit Cost:	\$ 315,169	(\$28,050,025 /89 units)
Allocation per Unit:	\$ 179,640	(\$15,988,000 /89 units)
Allocation per Restricted Rental Unit:	\$ 179,640	(\$15,988,000 /89 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 15,988,000	\$ 1,979,000
Residual Receipts (DOJ Loan Program)	\$ 0	\$ 910,000
HCD-MHP Assume/Recast	\$ 1,372,302	\$ 1,372,302
Contra Costa County HOME - Assume	\$ 414,339	\$ 414,339
Contra Costa County HOME - New	\$ 1,000,000	\$ 1,000,000
City of Concord RDA/CDBG - Assume	\$ 3,460,338	\$ 3,460,338
City of Concord AHP Loan	\$ 0	\$ 1,286,312
Seller Take Back Loan	\$ 1,078,022	\$ 1,078,022
Developer Equity	\$ 430,333	\$ 2,000,000
Deferred Costs	\$ 2,794,874	\$ 65,309
Deferred Developer Fee	\$ 265,136	\$ 2,633,582
LIH Tax Credit Equity	\$ 1,049,070	\$ 11,653,209
Accrued/Deferred Interest	\$ 197,612	\$ 197,612
Total Sources	\$ 28,050,026	\$ 28,050,025

Uses of Funds:	
Land Cost/Acquisition	\$ 11,000,000
Legal, Title/Escrow, Transfer Tax	\$ 109,100
Rehabilitation	\$ 8,680,694
Relocation	\$ 355,000
Architectural Fees	\$ 398,000
Survey & Engineering	\$ 199,000
Construction Interest & Fees	\$ 1,266,709
Permanent Financing	\$ 41,900
Legal Fees	\$ 107,500
Reserves	\$ 506,222
Appraisal	\$ 7,500
Contingency Costs	\$ 1,309,108
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 622,061
Developer Costs	\$ 3,447,231
Total Uses	\$ 28,050,025

Description of Financial Structure and Bond Issuance:

The financial structure for the project will be a private placement transaction provided by Citibank, N.A. During the construction financing phase the loan term will be for 18 months, plus one 6-month extension. The interest rate will be with a variable rate equal to 1 month LIBOR plus a spread of 2% (rates adjusted monthly). At the time of the commitment term sheet, the rate was approximately 0.42% for an all in rate of 2.42%. During the permanent financing phase, the loan term will be for 32 years with an amortization period of 20 years at a fixed rate of equal to the sum of 18 year LIBOR swap rates plus a spread of 2.50%, which at the time was approximately 2.40% for an indicated rate of 4.90%. The bonds will be issued by the County of Contra Costa.

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 out of 140

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$15,988,000 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]	0
Gross Rents	5	5	5
Large Family Units	5	5	0
Leveraging	10	10	10
Community Revitalization Area	5	5	0
Site Amenities	10	10	10
Service Amenities	10	10	0
New Construction or Substantial Renovation	10	10	10
Sustainable Building Methods	10	10	0
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

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.