

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 18, 2016
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Brian Clark

Applicant: California Municipal Finance Authority

Allocation Amount Requested:
Tax-exempt: \$39,000,000

Project Information:
Name: Life's Garden Apartments
Project Address: 450 Old San Francisco Road
Project City, County, Zip Code: Sunnyvale, Santa Clara , 94588

Project Sponsor Information:
Name: Sunnyvale Life, LP (Sunnyvale Life, LLC)
Principals: Ancel Romero, Paul Purcell, Travis Hanna, Linda Colman,
Susan Tolentino, Barbara Hubbard, Warren Young and Ken
Kishi for Sunnyvale Life, LLC
Property Management Company: Beacon Communities, Inc.

Project Financing Information:
Bond Counsel: Jones Hall, A Professional Law Corporation
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: U.S. Bank, NA (const.)
Massachusetts Mutual Life Insurance Company (perm.)
TEFRA Noticing Date: February 26, 2016
TEFRA Adoption Date: March 29, 2016

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 206, plus 2 manager units
Type: Acquisition and Rehabilitation
Type of Units: Family

The Project, constructed in 1974, consists of 8 interconnected two-story buildings and 120 surface parking spaces located on a 5.34 acre site in Sunnyvale. The Project houses 195 income restricted units (81 studio units and 114 one-bedroom units), 11 market rate units (3 studio units and 8 one-bedroom units), a single one-bedroom manager's unit and a single two-bedroom manager's unit. The Project is currently restricted to seniors. The Project's HUD 231 loan will be paid off at closing and, post-rehabilitation, the Project will be marketed as a senior-oriented development but will not be age restricted. Unit amenities include blinds, carpeting, ceiling fans, grab bars, pull cords, coat closet, patio, stove/oven and refrigerator. Site amenities include a clubhouse/community room, business center, laundry facility, community garden, courtyard, exercise facility, picnic/recreation areas and on-site management. Interior, exterior, and common area renovations will include updated landscaping and electrical system; new central A/C, heat pumps, lighting, cabinets, boilers, appliances, sinks, counters and fixtures; painting; sidewalk repair/replacement and parking lot paving and re-stripping. Rehabilitation is expected to begin in August 2016 and be completed in July 2018.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 95%

20% (42 units) restricted to 50% or less of area median income households.

74% (153 units) restricted to 60% or less of area median income households.

Unit Mix: Studio & 1 bedroom

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:	\$ 75,366,900	
Estimated Hard Costs per Unit:	\$ 86,805	(\$17,881,756 /206 units)
Estimated per Unit Cost:	\$ 365,859	(\$75,366,900 /206 units)
Allocation per Unit:	\$ 189,320	(\$39,000,000 /206 units)
Allocation per Restricted Rental Unit:	\$ 200,000	(\$39,000,000 /195 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 39,000,000	\$ 32,500,000
Seller Carryback Loan	\$ 23,275,562	\$ 16,275,562
GP Existing Reserves Loan	\$ 1,113,168	\$ 1,113,168
LIH Tax Credit Equity	\$ 2,000,000	\$ 20,115,258
Deferred Developer Fee	\$ 0	\$ 4,314,436
Accrued/Deferred Carryback Loan Interest	\$ 1,048,476	\$ 1,048,476
Total Sources	\$ 66,437,206	\$ 75,366,900

Uses of Funds:	
Land Cost/Acquisition	\$ 31,400,000
Rehabilitation	\$ 20,737,041
Relocation	\$ 3,050,000
Architectural Fees	\$ 1,053,000
Survey & Engineering Fees	\$ 149,000
Construction Interest & Fees	\$ 4,423,201
Permanent Financing Costs	\$ 30,000
Legal Fees	\$ 40,000
Reserves	\$ 2,340,393
Appraisal	\$ 10,000
Contingency	\$ 3,365,841
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 893,988
Developer Costs	\$ 7,874,436
Total Uses	\$ 75,366,900

Description of Financial Structure and Bond Issuance:

The bonds will be purchased in private placement transactions by U.S. Bank, NA (const.) and Massachusetts Mutual Life Insurance Company (perm.). During the construction financing phase the loan term will be for 30 months with a variable interest rate equal to 1-month LIBOR plus 200 bps. During the permanent financing phase, the loan term will be for 18 years with an amortization period of 35 years at a fixed rate equal to the greater of 4.00% or the sum of the 10-year U.S. Treasury rate (estimated at 1.84%), plus the term spread in basis points (estimated at 2.08%), plus the cost of a forward rate lock (estimated at 0.23%), for a currently estimated all-in rate of 4.15%.

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:

68 out of 140

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$39,000,000 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	20
Exceeding Minimum Income Restrictions:	35	15	29
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	0
Community Revitalization Area	5	5	0
Site Amenities	10	10	0
Service Amenities	10	10	0
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	110	68

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.