

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: Devon King

Applicant: California Municipal Finance Authority

Allocation Amount Requested:

Tax-exempt: \$26,000,000

Project Information:

Name: Park Place Apartments
Project Address: 16480 Del Monte Avenue
Project City, County, Zip Code: Morgan Hill, Santa Clara, 95037

Project Sponsor Information:

Name: EAH Park Place, L.P. (EAH Park Place, LLC)
Principals: Mary Murtagh, Laura Hall, Matthew Steinle, Cathy Macy, Errol Dominguez for EAH Park Place, LLC
Property Management Company: EAH Inc. (EAH Housing)

Project Financing Information:

Bond Counsel: Jones Hall, A Professional Law Corporation
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: MUFG Union Bank, N.A.
TEFRA Noticing Date: January 6, 2016
TEFRA Adoption Date: January 20, 2016

Description of Proposed Project:

State Ceiling Pool: General
Total Number of Units: 110, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

Park Place Apartments is a 29 two-story townhouse residential buildings each having 2 to 6 units and a community building are situated on this landscaped, rectangular and flat site. The improvements were originally constructed in the early 1970's, and received minor renovation work in 2000. There are a total of 112 units at the property, including 2 staff units. There is a community building with a manager's office, a community hall for resident meetings/activities and resource coordinator programs, and a kitchenette. There are two maintenance storage rooms attached to two different residential buildings, and a stand-alone maintenance work shed. The residential buildings are wood frame on a level concrete slab, with sloped asphalt roof. Each unit is accessed through an entry doorway connecting directly to walkways on the site. Each unit is furnished with a full kitchen including gas stove, oven, range hood, disposal and refrigerator, and washer-and-dryer hook-ups. Heating is provided by an individual furnace in each unit. Each building has one gas water heater located in a utility closet outside of residential units that provides centralized hot water. The kitchen/dining area in each unit has a door leading to a private back patio enclosed with fences. Bedrooms, stairways and second floor landing in the 3-,4- and 5-bedrooms will be carpeted wall-to-wall, while remaining areas will receive solid surface,water resistant flooring. The proposed rehab scope is intended to upgrade major building systems that have become obsolete, reducing operating and maintenance expenses as well as improving energy efficiency. Sustainable features will be incorporated into the rehabilitation program. Improvements to the units and common areas will benefit the residents in terms of safety, functionality, accessibility, and comfort. Energy efficiency upgrades are targeted to help reduce residents' utility bills.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
81% (89 units) restricted to 50% or less of area median income households.
19% (21 units) restricted to 60% or less of area median income households.
Unit Mix: 2, 3,4 & 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: \$ 50,107,116
Estimated Hard Costs per Unit: \$ 104,428 (\$11,487,078 /110 units)
Estimated per Unit Cost: \$ 455,519 (\$50,107,116 /110 units)
Allocation per Unit: \$ 236,364 (\$26,000,000 /110 units)
Allocation per Restricted Rental Unit: \$ 236,364 (\$26,000,000 /110 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 26,000,000	\$ 12,973,000
GP Capital	\$ 0	\$ 100
LIH Tax Credit Equity	\$ 3,595,633	\$ 19,199,267
Withdrawal from Project Reserves	\$ 110,602	\$ 110,602
Deferred Developer Fee	\$ 3,467,541	\$ 3,467,541
Deferred Costs	\$ 568,201	\$ 568,201
Seller Carryback Loan	\$ 9,419,590	\$ 9,419,590
City of Morgan Hill - 2nd Position	\$ 1,542,216	\$ 1,542,216
City of Morgan Hill - 4th Position	\$ 1,038,526	\$ 1,038,526
Santa Clara County HOME	\$ 1,369,095	\$ 1,369,095
Net Income From Operations	\$ 418,977	\$ 418,977
Total Sources	\$ 47,530,381	\$ 50,107,115
Uses of Funds:		
Land Cost/Acquisition	\$ 21,563,638	
Rehabilitation	\$ 12,716,163	
Relocation	\$ 2,995,366	
Contractor Overhead	\$ 534,104	
Architectural Fees	\$ 631,350	
Survey and Engineering	\$ 100,379	
Construction Interest and Fees	\$ 1,855,968	
Permanent Financing	\$ 122,029	
Legal Fees	\$ 115,000	
Reserves	\$ 678,214	
Appraisal	\$ 9,000	
Contingency Cost	\$ 1,907,424	
Local Development Impact Fees	\$ 100,000	
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 710,939	
Developer Costs	\$ 6,067,541	
Total Uses	\$ 50,107,115	

Description of Financial Structure and Bond Issuance:

The proposed financial structure will be a private placement transaction by MUFG Union Bank N.A. The construction loan will have a loan term of 20 months with a variable interest at 65% of the 30 day LIBOR rate plus 1.60%. The permanent loan will be separated into two separate tranches, A and B. Both Tranche A and B will have a loan term of 15 years with a 15 year amortization period. Both Tranche A and B will have an all in fixed rate of 4.17%. However the rate is subject to change due to market conditions until the interest rate is locked.

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: 70.5 out of 140
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$26,000,000 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]	0
Gross Rents	5	5	5
Large Family Units	5	5	5
Leveraging	10	10	8
Community Revitalization Area	5	5	0
Site Amenities	10	10	7.5
Service Amenities	10	10	0
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	70.5

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.