

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 19, 2017
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Sarah Lester

Applicant: California Municipal Finance Authority

Allocation Amount Requested: Tax-exempt: \$32,300,000

Project Information:

Name: The Redwoods + Wheeler Manor Apartments (Scattered Site)

Project Address: 9005 Kern Avenue; 651 W. Sixth Street

Project City, County, Zip Code: Gilroy, Santa Clara, 95020

Project Sponsor Information:

Name: Redwoods Wheeler, LP (Redwoods Wheeler, LLC)

Principals: Linda Mandolini, Jan Peters, Kathleen Hamm, and Jim Kennedy

Property Management Company: Eden Housing Management, Inc.

Project Financing Information:

Bond Counsel: Jones Hall, A Professional Law Corporation

Private Placement Purchaser: Wells Fargo Bank, N.A. (construction)/California Community Reinvestment Corporation (permanent)

Cash Flow Permanent Bond: Not Applicable

Public Sale: Not Applicable

Underwriter: Not Applicable

Credit Enhancement Provider: Not Applicable

Rating: Not Applicable

TEFRA Noticing Date: January 20, 2017

TEFRA Adoption Date: February 6, 2017

Description of Proposed Project:

State Ceiling Pool: General

Total Number of Units: 141

Manager's Units: 2 Unrestricted

Type: Acquisition and Rehabilitation

Population Served: Family

The Redwoods + Wheeler Manor Apartments (Scattered Site) project is an existing project located in Gilroy on a 2.06 acre site (The Redwoods site) and on a 3.6-acre site (Wheeler Manor site). The project consists of an aggregate of 139 restricted rental units and 2 unrestricted managers' units for a total of 141 units. The project has 116 one-bedroom units, 7 two-bedroom units, 12 three-bedroom units and 6 four-bedroom units. The renovations for both sites will collectively include building exterior and interior upgrades. Building exterior renovations will consist of replacement of roofs, building skins, windows, balcony decks, energy efficiency upgrades, water conservation upgrades painting buildings, addressing water intrusion-related damage and mobility upgrades. Interior renovations will include laundry room, leasing office, community room upgrades, landscaping, site hardscape and paving, carport and parking repairs, refurbishment of elevators, replacement of common area flooring, installation of access control system and fencing, security measures upgrades, remodeling of staff office and improvements to site lighting. Individual apartment units will be updated and repaired with elements as called for in the Physical Need Assessment and energy model. For The Redwoods site, the rehabilitation is expected to begin in September 2017 and completed in May 2018 and for the Wheeler Manor site, the rehabilitation is expected to begin September 2017 and completed in September 2018.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
75% (105 units) restricted to 50% or less of area median income households.
25% (34 units) restricted to 60% or less of area median income households.
Unit Mix: 1, 2, 3 & 4 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: \$ 53,983,469
Estimated Hard Costs per Unit: \$ 82,186 (\$11,588,248 /141 units including mgr. units)
Estimated per Unit Cost: \$ 382,861 (\$53,983,469 /141 units including mgr. units)
Allocation per Unit: \$ 229,078 (\$32,300,000 /141 units including mgr. units)
Allocation per Restricted Rental Unit: \$ 232,374 (\$32,300,000 /139 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 32,300,000	\$ 4,181,000
Tranche B Financing	\$ 0	\$ 782,000
County of Santa Clara Loans	\$ 150,000	\$ 150,000
LIH Tax Credit Equity	\$ 1,793,296	\$ 17,613,309
City of Gilroy	\$ 250,000	\$ 250,000
Soft Loan Accrued Interest	\$ 396,836	\$ 396,836
Deferred Developer Fee	\$ 0	\$ 2,000,000
Seller Carryback Loan	\$ 3,282,220	\$ 3,282,220
HCD RHCP Loan	\$ 10,748,166	\$ 10,748,166
Net Income From Operations	\$ 0	\$ 187,215
Santa Clara County New Loan	\$ 0	\$ 733,706
LP Equity - Energy Credit	\$ 0	\$ 194,648
Sponsor Loan	\$ 0	\$ 13,464,369
Total Sources	\$ 48,920,518	\$ 53,983,469

Uses of Funds:	
Land Cost/Acquisition	\$ 25,166,541
Rehabilitation	\$ 12,699,650
Relocation	\$ 300,000
Contractor Overhead & Profit	\$ 809,470
Architectural Fees	\$ 1,244,800
Survey and Engineering	\$ 215,732
Construction Interest and Fees	\$ 2,374,470
Permanent Financing	\$ 26,900
Legal Fees	\$ 35,000
Reserves	\$ 591,953
Appraisal	\$ 15,000
Hard Cost Contingency	\$ 1,976,080
Local Development Impact Fees	\$ 367,409
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 1,424,466
Developer Costs	\$ 6,735,998
Total Uses	\$ 53,983,469

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:

83.3 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$32,300,000 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
Preservation Project	20	20	18.3
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	5
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	N/A
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	N/A
Negative Points (No Maximum)	-10	-10	0
Total Points	140	110	83.3