

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**July 17, 2013**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Richard Fischer*

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**Applicant:** California Municipal Finance Authority

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**Allocation Amount Requested:**  
**Tax-exempt:** \$11,000,000

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**Project Information:**  
**Name:** Woodlands Newell Apartments  
**Project Address:** 1761 Woodland Ave; 44-48 Newell Road  
**Project City, County, Zip Code:** East Palo Alto, San Mateo, 94303

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**Project Sponsor Information:**  
**Name:** Woodlands Newell Associates, L.P. (Woodland Newell LLC)  
**Principals:** Cheryl Quay, Terry Freeman, Eduardo Franco, Kevin Sharps, Anita Valdez, Serena Ip, Mari Tustin Matthew O. Franklin and Jan M. Lindenthal for Woodland Newell LLC.  
**Property Management Company:** MidPen Property Management Corporation

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**Project Financing Information:**  
**Bond Counsel:** Jones Hall, A Professional Law Corporation  
**Underwriter:** Not Applicable  
**Credit Enhancement Provider:** Not Applicable  
**Private Placement Purchaser:** Citibank, N.A.  
**TEFRA Hearing Date:** April 23, 2013

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 47, plus 1 manager unit  
**Type:** Acquisition and Rehabilitation  
**Type of Units:** Family

Woodlands Newell is a proposed scattered site project comprised of two multi-family rental properties about 0.1 mile apart. The project is located in the City of East Palo Alto. The project serves individuals, couples and large families and is located in a residential neighborhood surrounded by other multi-family rental properties. Both properties will have exterior and interior work done. Due to the age of the project, a great deal of updating to the project will be done to improve the energy efficiencies and safety. All units have full kitchens and access to a community room and laundry facilities. Construction is expected to start in August, 2013 and be completed in October, 2014. The rehabilitation will be phased across four 3.5 month phases. The first two phases will be for Woodlands and the last two phases will be for Newell.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%  
32% (15 units) restricted to 50% or less of area median income households.  
68% (32 units) restricted to 60% or less of area median income households.  
**Unit Mix:** Studio, 1, 2, 3 & 4 bedrooms

Project Sponsor will provide After school programs and a bona fide service coordinator/ social worker.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

**Estimated Total Development Cost:** \$ 20,834,292  
**Estimated Hard Costs per Unit:** \$ 119,623 (\$5,622,276 /47 units)  
**Estimated per Unit Cost:** \$ 443,283 (\$20,834,292 /47 units)  
**Allocation per Unit:** \$ 234,043 (\$11,000,000 /47 units)  
**Allocation per Restricted Rental Unit:** \$ 234,043 (\$11,000,000 /47 restricted units)

The Project has total project costs that appear high for the geographic area in which it is located. According to the Project Sponsor, the high cost is due to the location of the project, scope of the work to be completed and the need to accommodate the residents as a result of the scope of the work.

<b>Sources of Funds:</b>	<b>Construction</b>	<b>Permanent</b>
Tax-Exempt Bond Proceeds	\$ 11,000,000	\$ 3,237,600
Seller Take Back Loan	\$ 6,864,633	\$ 6,864,633
Deferred Developer Fee and Project Reserves	\$ 1,546,428	\$ 477,100
Limited Partner Equity	\$ 354,366	\$ 7,087,316
Direct & Indirect Public Funds	\$ 554,977	\$ 2,653,755
Other (Def. int. on loans and Income dur constr.)	\$ 513,888	\$ 513,888
<b>Total Sources</b>	<b>\$ 20,834,292</b>	<b>\$ 20,834,292</b>

<b>Uses of Funds:</b>	
Acquisition/Land Purchase	\$ 7,825,000
On & Off Site Costs	\$ 100,000
Hard Construction Costs	\$ 5,522,276
Architect & Engineering Fees	\$ 587,600
Contractor Overhead & Profit	\$ 739,340
Developer Fee	\$ 1,707,809
Relocation	\$ 1,570,000
Cost of Issuance	\$ 332,125
Capitalized Interest	\$ 710,079
Other Soft Costs (Marketing, etc.)	\$ 1,740,063
<b>Total Uses</b>	<b>\$ 20,834,292</b>

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**Description of Financial Structure and Bond Issuance:**

This transaction will be a Citibank, N.A. private placement. There are two phases of financing. During the construction phase the term will be 24 months with one 6 month extension. The interest rate during this phase is a variable rate equal to SIFMA plus a spread of 2.50%. Currently the all-in rate of 2.47% including the 5bps servicing fee. During the permanent phase, the term will be and amortization period will be 30 yers with a "end of 15th year repayment of the loan in full" bank option. The rate is fixed and equal to the sum of 17 year maturity "AAA" bond rates as published by Thompson Municipal Market Monitor ("MMD") plus a spread of 2.42%. Currently, the 15 Year MMD is 2.28% for a current indicated rate of 4.53%. This includes a 5bps servicing fee.

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**Analyst Comments:**

Not Applicable

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**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.

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**Total Points:**

64.8 out of 130

[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$11,000,000 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
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]	0
Gross Rents	5	5	5
Large Family Units	5	5	2.3
Leveraging	10	10	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	2.5
Service Amenities	10	10	10
New Construction	10	10	0
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
<b>Total Points</b>	<b>130</b>	<b>100</b>	<b>64.8</b>

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.