

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**March 19, 2014**  
**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:** \$22,000,000

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**Project Information:**  
**Name:** Gabilan Plaza Apartments  
**Project Address:** 730 & 736 Williams Road  
**Project City, County, Zip Code:** Salinas, Monterey, 93905

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**Project Sponsor Information:**  
**Name:** Gabilan Plaza 3 Limited Partnership (Gabilan III Housing Sponsorship LLC and Gabilan Administration Inc.)  
**Principals:** John Anzini for Gabilan III Housing Sponsorship LLC; Matthew Locati, Tom Shephard and Julia Bergue for Gabilan Administration Inc.  
**Property Management Company:** TerraCorp Financial Inc.

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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:** United Brotherhood of Carpenters and Joiners of America Local 925 Housing Sponsorship Corporation  
**TEFRA Adoption Date:** December 10, 2013

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 198, plus 2 manager units  
**Type:** Acquisition and Rehabilitation  
**Type of Units:** Family/Federally Assisted At-Risk

Gabilan Plaza was originally constructed in two phases in 1970 and 1975 for low income families. The site consists of 26 one- and two-story residential buildings containing 200 units. The development offers 36 one-bedroom flat style units, 74 two-bedroom townhome style units, and 90 three-bedroom townhome style units. Common area amenities include a basketball court, central laundry in two centrally located buildings containing 12 washers and 16 dryers each, Community room, Kids Club, on-site manager, picnic area, and a playground area.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%

10% (20 units) restricted to 50% or less of area median income households.

90% (178 units) restricted to 60% or less of area median income households.

**Unit Mix:** 1, 2 & 3 bedrooms

No service amenities.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

<b>Estimated Total Development Cost:</b>	\$ 43,348,674	
<b>Estimated Hard Costs per Unit:</b>	\$ 46,783	(\$9,263,062 /198 units)
<b>Estimated per Unit Cost:</b>	\$ 218,933	(\$43,348,674 /198 units)
<b>Allocation per Unit:</b>	\$ 111,111	(\$22,000,000 /198 units)
<b>Allocation per Restricted Rental Unit:</b>	\$ 111,111	(\$22,000,000 /198 restricted units)

<b>Sources of Funds:</b>	Construction	Permanent
221(d)(4) Enhanced Bond Issue	\$ 15,153,500	\$ 15,153,500
Tax-Exempt Bond Proceeds	\$ 22,000,000	\$ 13,884,185
LIH Tax Credit Equity	\$ 2,820,438	\$ 13,498,969
NOI	\$ 590,020	\$ 590,020
Equity and Transferred Reserves	\$ 222,000	\$ 222,000
<b>Total Sources</b>	<b>\$ 40,785,958</b>	<b>\$ 43,348,674</b>

<b>Uses of Funds:</b>	
Acquisition/Land Purchase	\$ 25,071,900
Rehabilitation Costs	\$ 10,285,372
Relocation	\$ 400,000
Architectural	\$ 281,800
Survey & Engineering	\$ 21,000
Contingency Costs	\$ 1,196,382
Construction Period Expenses	\$ 1,300,137
Permanent Financing Expenses	\$ 368,076
Legal Fees	\$ 165,000
Capitalized Reserves	\$ 1,260,398
Reports & Studies	\$ 104,710
Other	\$ 443,899
Developer Costs	\$ 2,450,000
<b>Total Uses</b>	<b>\$ 43,348,674</b>

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

This is a FHA 221(d) (4) taxable transaction with the funds available at closing on a draw down basis during construction. This is also a private placement transaction with the tax-exempt bonds being issued by California Municipal Finance Authority. The Purchasing of the bonds will be completed by the United Brotherhood of Carpenters and Joiners of America, Local 925 Housing Sponsorship Corporation. The terms and conditions of the bonds are as follows: Initial interest rate will be equal to the mid-term applicable federal rate, which will be the published rate at the date of the bond issuance, during the eighth year of the term of the bond, at which time the interest rate will reset to the mid-term applicable federal rate using the mid-term applicable federal rate in effect at such time and the amortization of the loan will begin. The first eight years of the bond (loan) payments will be interest only. The rate will continue to reset every 9th year using the mid-term applicable federal rate in effect at such time. The bond terms are 40 years; the bond will not have a fixed annual or monthly payment amount. The bond will be repaid through investor equity and any remaining outstanding amounts will be repaid through available net cash flow from the Project on an annual basis.

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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:** 60 out of 130  
[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$22,000,000 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	20
Exceeding Minimum Income Restrictions:	35	15	25
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	5
Leveraging	10	10	0
Community Revitalization Area	15	15	0
Site Amenities	10	10	5
Service Amenities	10	10	0
New Construction	10	10	0
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
<b>Total Points</b>	<b>130</b>	<b>110</b>	<b>60</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.