

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 21, 2014
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Leslie J. Campaz

Applicant: California Municipal Finance Authority

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

Project Information:
Name: Sharmon Palms Lane Apartments
Project Address: 739, 751, 775, 844, 858, 870, 886, 898, 910, 949, 952, 961, 964,
975, 989 Sharmon Palms Lane,
Project City, County, Zip Code: Campbell, Santa Clara 95008

Project Sponsor Information:
Name: Sharmon Palms Lane Associates, L.P. (Sharmon Palms Lane
LLC; MidPen Housing Corporation)
Principals: C. Mark Battey, Beth Bartlett, Paul Staley, Monique Moyer,
Daniel Seubert, Mari Tustin, Richard Slaton, Erik Doyle,
Daruish Kayhan, Therese Freeman, Susan Smartt, Koonal
Ghandi, Kim Le, Holly Vocal, Matthew O. Franklin, and Jan M.
Lindenthal for both entities.
Property Management Company: MidPen Property Management Corporation

Project Financing Information:
Bond Counsel: Jones Hall, A Professional Law Corporation
Underwriter: Not Applicable
Private Placement Purchaser: Union Bank, N.A.
TEFRA Adoption Date: January 7, 2014

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 59, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

Sharmon Palms Lane is a proposed 60-unit scattered site rehabilitation of existing multifamily rental affordable housing, which serve and will continue to serve individuals, couples, and large families. Located in the City of Campbell, Sharmon Palms Lane is situated in a residential neighborhood primarily consisting of other multi-family rental properties, most of which are fourplexes and single-family homes. Out of the 60 units, 59 will be restricted to households with incomes no greater than 60% or the area median income. The Sharmon Palms property is comprised of 36 two-bedroom units. The Palms property is comprised of 7 one-bedroom units, 10 two-bedroom units and 7 three-bedroom units. The rehabilitation will address the physical needs of the property, both in the interior and exterior of the buildings. The anticipated construction start date is in September, 2014 and rehabilitation end date is October, 2015

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

68% (40 units) restricted to 50% or less of area median income households.

32% (19 units) restricted to 60% or less of area median income households.

Unit Mix: 1, 2 & 3 bedrooms

No service amenities will be provided.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 23,305,960

Estimated Hard Costs per Unit: \$ 96,519 (\$5,694,649 /59 units)

Estimated per Unit Cost: \$ 395,016 (\$23,305,960 /59 units)

Allocation per Unit: \$ 186,441 (\$11,000,000 /59 units)

Allocation per Restricted Rental Unit: \$ 186,441 (\$11,000,000 /59 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 11,000,000	\$ 0
Union Bank First Mortgage	\$ 0	\$ 3,095,000
Santa Clara County CDBG	\$ 642,017	\$ 642,017
HCD CHRP-R Loan Assumed	\$ 2,315,249	\$ 2,315,249
City of Campbell Loan Assumed	\$ 2,150,751	\$ 2,150,751
Santa Clara County CDBG Loan Assumed	\$ 361,214	\$ 361,214
Santa Clara County Rental Rehab Loan Assumed	\$ 1,095,154	\$ 1,095,154
Santa Clara County CDBG Loan Assumed	\$ 294,467	\$ 294,467
Seller Take Back Loan	\$ 760,000	\$ 0
Loan from MidPen Housing	\$ 0	\$ 4,569,319
Deferred Developer Fee	\$ 0	\$ 337,028
General Partner Equity	\$ 0	\$ 814
Income From Operations During Construction	\$ 301,758	\$ 301,758
Limited Partner Equity	\$ 1,221,478	\$ 8,143,188
Total Sources	\$ 20,142,088	\$ 23,305,959

Uses of Funds:	
Acquisition/Land Purchase	\$ 10,815,000
On & Off Site Costs	\$ 10,000
Rehabilitation Costs	\$ 5,684,649
Architect & Engineering Fees	\$ 438,950
Contractor Overhead & Profit	\$ 628,052
Developer Fee	\$ 2,457,526
Relocation	\$ 1,442,000
Capitalized Interest	\$ 329,105
Cost of Issuance	\$ 330,125
Other Soft Costs (Marketing, etc.)	\$ 1,170,553
Total Uses	\$ 23,305,960

Description of Financial Structure and Bond Issuance:

This will be a private placement bond transaction with the bonds being purchased by Union Bank, N.A. The bonds will be issued by the California Municipal Finance Authority. During the construction phase, the tax-exempt construction period loan will be disbursed on a cost incurred basis to a maximum of \$11,000,000. The interest rate will be 3.75%. The principal balance of the Note and all accrued but unpaid interest thereon shall be due and payable twenty-four (24) months from the closing of the Loan. During the permanent phase, the Construction Phase tax-exempt loan amount will be paid down to a loan amount of \$3,095,000 using Low-Income Housing Tax Credit equity and the Sponsor Permanent loan.

Analyst Comments:

Not Applicable

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: 68.4 out of 130

[See Attachment A]

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	34
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project]	[10]	[10]	10
Gross Rents	5	5	5
Large Family Units	5	5	1.9
Leveraging	10	10	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	2.5
Service Amenities	10	10	0
New Construction	10	10	0
Sustainable Building Methods	10	10	5
Negative Points	-10	-10	0
Total Points	130	100	68.4

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.