Agenda Item No. 8.36
Application No. 15-411

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
September 16, 2015
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:	$22,347,000

Project Information:

Name:	**Colorado Park Apartments**
Project Address:	1141 Colorado Avenue
Project City, County, Zip Code:	Palo Alto, Santa Clara, 94303

Project Sponsor Information:

Name:	Colorado Park, L.P. (Colorado Park Housing Corp.)
Principals:	Candice Gonzalez, Jean Dawes, Mike Anderson, David Easton for Colorado Park Housing Corp
Property Management Company:	PAHC Management & Services Corporation

Project Financing Information:

Bond Counsel:	Jones Hall, A Professional Law Corporation
Underwriter:	Not Applicable
Credit Enhancement Provider:	Not Applicable
Private Placement Purchaser:	Bank of America, N.A.
TEFRA Adoption Date:	

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

The proposed project is an existing development located in the city of Palo Alto. The project consists of 60 units ranging between one and four bedroom units. These units are housed in six separate two-story buildings. Overall, there are 8 one-bedroom, 24 two-bedroom, 22 three-bedroom, and 6 four-bedroom units on the project. Four of these units will be market rate. The seventh on-site building is the centrally located community building that has tall ceilings, laundry room, bathrooms, ample space for resident activities, and a full service kitchen. The community building also contains the manager's office and the maintenance staff storage area. Each unit is equipped with wall heaters, exhaust fans for bathrooms, 6 panel sliding closet doors, CalGreen/Energy Star standard Stoves and Refrigerators, new vinyl flooring for bathrooms, vertical blinds at patio and deck entries, a range hood for the kitchen, new light fixtures at each front door and patio/balcony (with sensors), A garbage disposal and GFCI outlets for wet areas. Additional outdoor seating will be provided; new barbecue areas, play structures, outdoor fitness equipment and bicycle storage shed are also planned. The proposed new patio fencing is more transparent, providing more lights into the units. The landscaping will replace most of the lawn areas with drought tolerant planting. The building exteriors will be updated, using a new color scheme, and materials that are more durable and sustainable. The existing T1-11 siding will be replaced by a combination of horizontal fiber cement lap siding and fiber cement panels. The process will include a concurrent replacement of the existing wall insulation with new R-13 unfaced batts. New asphalt shingles built up roofing will be installed at the pitched roofs and vent grills will be added to facilitate attic ventilation. The flat roof areas will receive a single ply membrane roofing system. The proposed new awnings and sunshades will be constructed from perforated aluminum panels. Additionally, several carports will be re-built and a photovoltaic system will be installed. This combined with the solar thermal infrastructure that will be incorporated on the community room roof. Construction is scheduled to start on November 1st, 2015 and the total construction duration will be around 9 months.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 93%

56% (33 units) restricted to 50% or less of area median income households.
37% (22 units) restricted to 60% or less of area median income households.

Unit Mix: 1, 2, 3 & 4 bedrooms

There will be a bona fide service coordinator for the residents who will assist the residents with local services. The service coordinator will be on site 15 hrs/week for a total of 780 hours a year.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	$	36,302,611	
Estimated Hard Costs per Unit:	$	152,071	($8,972,189 /59 units)
Estimated per Unit Cost:	$	615,298	($36,302,611 /59 units)
Allocation per Unit:	$	378,763	($22,347,000 /59 units)
Allocation per Restricted Rental Unit:	$	378,763	($22,347,000 /55 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 a number of factors. The current real estate boom in the San Francisco Bay Area has resulted in extreme demand for construction services and materials, which in turn has led to relatively high costs for this project. Also, the rehab includes a significant amount of environmental remediation costs to ensure proper treatment and disposal. Since there is an overall lack of housing supply in the area and market rate rents are at an all time high, the temporary tenant relocation costs are also contributing to a higher development cost overall. The acquisition costs for this property have also been affected by the local real estate market. Real estate in general has reached historically high values in this region. For this transaction, there are relatively high acquisition values created by the Project-Based Section 8 contract that currently is in place and will be extended with the new financing package. The appraiser for this transaction has factored in the additional subsidy income when valuing this property.

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	$ 22,347,000	$ 13,441,835
Accrued/ Deferred Interest	$ 342,577	$ 342,577
LIH Tax Credit Equity	$ 1,023,153	$ 11,329,527
Direct & Indirect Public Funds	$ 203,561	$ 203,561
Other (Withdrawal from Project Reserves)	$ 268,415	$ 268,415
Other (Seller Carryback Loan)	$ 10,716,696	$ 10,716,696
Total Sources	$ 34,901,402	$ 36,302,611

Uses of Funds:	
Acquisition/Land Purchase	$ 19,673,423
On & Off Site Costs	$ 1,083,208
Hard Construction Costs	$ 6,300,981
Architect & Engineering Fees	$ 416,209
Contractor Overhead & Profit	$ 555,811
Developer Fee	$ 2,500,000
Relocation	$ 1,328,825
Legal Fees	$ 105,000
Reserves	$ 798,008
Appraisal and Contigency Cost	$ 1,600,950
Construction and Permanent Financing	$ 1,392,344
Other Soft Costs (Marketing, Third Party Reports, Furnishings and etc.)	$ 547,852
Total Uses	$ 36,302,611

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Description of Financial Structure and Bond Issuance:

The proposed financial structure is a private placement bond purchase by Bank of America, N.A. During the construction financing phase the loan term will be for 18 months with a variable interest rate equal to the LIBOR Daily Floating Rate plus 2.00% annum. During the permanent financing phase, the loan term will be for 17 years with an amortization period of 30 years at a fixed interest rate based upon the 10 year Interest Rates Swap plus 1.85%. There was no underwritten rate provided

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: 69.5 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve $22,347,000 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]	10
Gross Rents	5	5	5
Large Family Units	5	5	5
Leveraging	10	10	1
Community Revitalization Area	15	15	0
Site Amenities	10	10	2.5
Service Amenities	10	10	5
New Construction	10	10	0
Sustainable Building Methods	10	10	6
Negative Points	-10	-10	0
Total Points	**130**	**100**	**69.5**

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.