

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 17, 2017
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Richard Fischer

Applicant: California Municipal Finance Authority

Allocation Amount Requested:
Tax-exempt: \$7,440,000

Project Information:
Name: Providence House Oakland Apartments
Project Address: 540 23rd Street
Project City, County, Zip Code: Oakland, Alameda, 94612

Project Sponsor Information:
Name: Providence House Oakland, LP (Providence House Oakland GP LLC)
Principals: Rodney F. Hochman, M.D., Mike Butler, Joel Gillbertson, Todd Holheins Zack Boyers, Beth Stohr, Matt Philpott, Darren Van't Hof, Bill Bayer, Kristy Carstensen, Kris Switzer, Shera Dalin, and Michelle Kostrich for Providence House Oakland GP LLC
Property Management Company: Providence Health & Services-Washington

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Private Placement Purchaser: Not Applicable
Cash Flow Permanent Bond: Not Applicable
Public Sale: Rated/ Cash Collateralized (construction only)
Underwriter: US Bancorp Investments, Inc. (USBII)
Credit Enhancement Provider: Not Applicable
Rating: A-1+
TEFRA Noticing Date: September 2, 2016
TEFRA Adoption Date: September 22, 2016

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 40
Manager's Units: 1 Restricted
Type: Acquisition and Rehabilitation
Population Served: Family

Providence House Oakland Apartments is an existing project located in Oakland on a .56-acre site. The project consists of 39 rental units and 1 restricted manager unit. The project has 34 one-bedroom units and 6 two-bedroom units. The renovations will include building (exterior/interior) upgrades. Building exterior renovations will consist of siding repairs, roof replacement, window replacements and a fresh coat of paint. Interior renovations will include laundry room, leasing office and community room upgrades. Individual apartment units will be updated with a new appliance package, countertops, cabinets, fixtures, paint and electrical updates. Lastly, common or site area renovations will consist of concrete repairs, asphalt replacement and ADA updates. The rehabilitation is expected to begin in October 2017 and completed in April 2018.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
10% (4 units) restricted to 50% or less of area median income households.
90% (36 units) restricted to 60% or less of area median income households.
Unit Mix: 1 & 2 bedrooms

The proposed project will be providing service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 14,915,294	
Estimated Hard Costs per Unit:	\$ 77,737	(\$3,109,488 /40 units including mgr. units)
Estimated per Unit Cost:	\$ 372,882	(\$14,915,294 /40 units including mgr. units)
Allocation per Unit:	\$ 186,000	(\$7,440,000 /40 units including mgr. units)
Allocation per Restricted Rental Unit:	\$ 186,000	(\$7,440,000 /40 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 7,440,000	\$ 0
LIH Tax Credit Equity	\$ 1,008,209	\$ 5,041,049
Deferred Developer Fee	\$ 0	\$ 365,000
221(d)(4) Loan	\$ 0	\$ 4,293,300
Seller Carryback Loan	\$ 2,809,642	\$ 2,809,642
City of Oakland Loan	\$ 1,694,117	\$ 1,694,117
Net Income From Operations	\$ 276,070	\$ 304,968
Sponsor loan	\$ 357,991	\$ 357,991
Solar Tax Credit Equity	\$ 0	\$ 49,227
Total Sources	\$ 13,586,029	\$ 14,915,294

Uses of Funds:	
Land Cost/Acquisition	\$ 7,300,000
Rehabilitation	\$ 3,457,040
Relocation	\$ 124,373
Contractor Overhead & Profit	\$ 276,563
Architectural Fees	\$ 347,605
Survey and Engineering	\$ 74,415
Construction Interest and Fees	\$ 740,807
Permanent Financing	\$ 233,723
Legal Fees	\$ 190,000
Reserves	\$ 264,569
Appraisal	\$ 3,500
Hard Cost Contingency	\$ 376,049
Other Project Costs (Soft Costs, etc.)	\$ 320,178
Developer Costs	\$ 1,206,472
Total Uses	\$ 14,915,294

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:

70.9 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$7,440,000 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	Points Scored
Preservation Project	20	20	0
Exceeding Minimum Income Restrictions:	35	15	25
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	10
Gross Rents	5	5	5
Large Family Units	5	5	0
Leveraging	10	10	6.9
Community Revitalization Area	5	5	0
Site Amenities	10	10	5
Service Amenities	10	10	5
New Construction or Substantial Renovation	10	10	10
Sustainable Building Methods	10	10	4
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	120	70.9

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.