

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**November 15, 2017**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Ruben Barcelo*

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<b>Applicant:</b>	<b>California Municipal Finance Authority</b>
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<b>Allocation Amount Requested:</b>	<b>Tax-exempt:</b> \$17,800,865
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<b>Project Information:</b>	<b>Name:</b> Sycamore Street Commons & La Playa Residential Apartments (Scattered Site)
	<b>Project Address:</b> 125 Sycamore Street and 216 Leibrandt Avenue
	<b>Project City, County, Zip Code:</b> Santa Cruz, Santa Cruz, 95060

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<b>Project Sponsor Information:</b>	<b>Name:</b> Mercy Housing California 72 LP (Central Coast Housing, a California Nonprofit Corporation)
	<b>Principals:</b> Barbara Gualco, Valerie Agostino, Jennifer Dolan and Amy Bayley
	<b>Property Management Company:</b> Mercy Housing Management Group

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<b>Project Financing Information:</b>	<b>Bond Counsel:</b> Jones Hall, A Professional Law Corporation
	<b>Private Placement Purchaser:</b> U.S. Bank, N.A.
	<b>Cash Flow Permanent Bond:</b> Not Applicable
	<b>Public Sale:</b> Not Applicable
	<b>Underwriter:</b> Not Applicable
	<b>Credit Enhancement Provider:</b> Not Applicable
	<b>Rating:</b> Not Applicable
	<b>TEFRA Noticing Date:</b> August 10, 2017
	<b>TEFRA Adoption Date:</b> September 12, 2017

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<b>Description of Proposed Project:</b>	<b>State Ceiling Pool:</b> General
	<b>Total Number of Units:</b> 68
	<b>Manager's Units:</b> 1 Restricted
	<b>Type:</b> Acquisition and Rehabilitation
	<b>Population Served:</b> Family

Sycamore Street Commons & La Playa Residential Apartments is an existing scattered site project located in Santa Cruz. Sycamore is located on a 2.5-acre site and La Playa on a 0.2-acre site. The project consists of 67 restricted rental units and 1 restricted manager unit. It provides 16 one-bedroom units, 21 two-bedroom units, 26 three-bedroom units and 5 four-bedroom units. Exterior renovations include installation of new roofs, attic insulation, siding and trim, doors and hardware, posts and railings, patio sliding doors, skylights, signage and paint, and repairs to stairs and decks. The community room will receive new door hardware and plumbing fixtures. Apartment units will be updated with new flooring, doors, kitchen appliances, bath and kitchen fixtures, water heaters and paint and will include an ADA unit conversion. Site area renovations include replacement of selected walkways, fencing and playground equipment, and ADA-related accessibility and parking upgrades. Rehabilitation is expected to begin in May 2018 and to be completed in July 2019.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%  
65% (44 units) restricted to 50% or less of area median income households.  
35% (24 units) restricted to 60% or less of area median income households.  
**Unit Mix:** 1, 2, 3 & 4 bedrooms

The proposed project will not be providing service amenities.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years.

**Details of Project Financing:**

<b>Estimated Total Development Cost:</b>	\$ 35,005,007	
<b>Estimated Hard Costs per Unit:</b>	\$ 113,642	(\$7,727,644 /68 units including mgr. units)
<b>Estimated per Unit Cost:</b>	\$ 514,780	(\$35,005,007 /68 units including mgr. units)
<b>Allocation per Unit:</b>	\$ 261,777	(\$17,800,865 /68 units including mgr. units)
<b>Allocation per Restricted Rental Unit:</b>	\$ 261,777	(\$17,800,865 /68 restricted units)

<b>Sources of Funds:</b>	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 17,800,865	\$ 5,728,000
LIH Tax Credit Equity	\$ 1,030,552	\$ 11,565,516
GP Equity-Existing Project Reserves	\$ 259,576	\$ 1,782,732
GP Loan	\$ 0	\$ 4,765,397
GP Equity-Developer Fee	\$ 1,523,156	\$ 0
Deferred Developer Fee	\$ 0	\$ 650,670
Seller Carryback Loan	\$ 4,400,294	\$ 4,400,294
Soft Debt Accrued Interest for Carryback Loan	\$ 113,528	\$ 113,528
HCD FHDP Loan-Sycamore	\$ 2,072,173	\$ 2,072,173
HCD HOME Loan-Sycamore	\$ 1,357,898	\$ 1,357,898
HCD CHRP Loan-La Playa	\$ 566,861	\$ 566,861
Santa Cruz City RDA Loan-Sycamore	\$ 863,970	\$ 863,970
City CDBG & Red Cross Loan-La Playa	\$ 793,208	\$ 793,208
City Assumed Housing Loan-La Playa	\$ 106,427	\$ 106,427
GP Operating Deficit Loan-La Playa	\$ 238,333	\$ 238,333
<b>Total Sources</b>	<b>\$ 31,126,841</b>	<b>\$ 35,005,007</b>

<b>Uses of Funds:</b>	
Land Cost/Acquisition	\$ 16,600,000
Rehabilitation	\$ 8,136,949
Relocation	\$ 820,000
Contractor Overhead & Profit	\$ 811,403
Architectural Fees	\$ 216,572
Survey and Engineering	\$ 90,399
Construction Interest and Fees	\$ 1,300,300
Permanent Financing	\$ 159,280
Legal Fees	\$ 190,500
Reserves	\$ 688,329
Appraisal	\$ 8,750
Hard Cost Contingency	\$ 1,342,253
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 428,587
Developer Costs	\$ 4,106,685
Predevelopment Interest/Holding Cost	\$ 45,000
Title/Recording	\$ 60,000
<b>Total Uses</b>	<b>\$ 35,005,007</b>

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**Analyst Comments:**

Per unit cost for this project exceeded CDLAC's high cost threshold. The project sponsor attributed this to traditionally high acquisition costs in Santa Cruz. The high acquisition cost was also attributable to the appraisal taking into consideration the guaranteed income associated with Section 8 PBVs. The sponsor cited high labor and material costs in the general SF Bay Area due to continued strong demand from the ongoing construction boom as also contributing to high project cost.

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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:**

91.5 out of 140 [See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$17,800,865 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
Preservation Project	20	20	20
Exceeding Minimum Income Restrictions:	35	15	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	0
Gross Rents	5	5	5
Large Family Units	5	5	4
Leveraging	10	10	10
Community Revitalization Area	5	5	0
Site Amenities	10	10	7.5
Service Amenities	10	10	0
New Construction or Substantial Renovation	10	10	10
Sustainable Building Methods	10	10	0
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
<b>Total Points</b>	<b>140</b>	<b>110</b>	<b>91.5</b>