

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 13, 2017
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Ruben Barcelo

Applicant:	California Public Finance Authority
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Allocation Amount Requested:	Tax-exempt: \$13,000,000
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Project Information:	Name: Water Street Apartments
	Project Address: 708, 712 and 718 Water Street
	Project City, County, Zip Code: Santa Cruz, Santa Cruz, 95060

Project Sponsor Information:	Name: To-be-formed (FTF Water Street, LLC; and Pacific Housing)
	Principals: Jim Rendler and Robert Putnam for FTF Water Street, LLC; and Mark Wiese for Pacific Housing
	Property Management Company: EAH Inc.

Project Financing Information:	Bond Counsel: Orrick, Herrington & Sutcliffe LLP
	Private Placement Purchaser: Pacific Western Bank
	Cash Flow Permanent Bond: Not Applicable
	Public Sale: Not Applicable
	Underwriter: Not Applicable
	Credit Enhancement Provider: Not Applicable
	Rating: Not Applicable
	TEFRA Noticing Date: October 16, 2017
	TEFRA Adoption Date: October 24, 2017

Description of Proposed Project:	State Ceiling Pool: General
	Total Number of Units: 41
	Manager's Units: 1 Unrestricted
	Type: New Construction
	Population Served: Family

Water Street Apartments is a new construction project located in Santa Cruz on a 0.82-acre site. The project will consist of 40 restricted rental units and 1 unrestricted manager unit distributed as 22 one-bedroom units and 19 two-bedroom units. The four-story building will be served by an elevator. Common amenities will include an onsite bike locker, a picnic area, and a community center equipped with a kitchen and living/meeting space, restrooms, manager's office, service coordinator's office, a computer room, a mail room and a laundry facility. Individual units will feature refrigerator, stove/oven, dishwasher, window blinds and a private balcony or patio. Forty-one parking spaces will be provided. Construction is expected to begin in April 2018 and to be completed in June 2019.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

13% (5 units) restricted to 50% or less of area median income households.

88% (35 units) restricted to 60% or less of area median income households.

Unit Mix: 1 & 2 bedrooms

The proposed project will not be providing service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years.

Details of Project Financing:

Estimated Total Development Cost:	\$ 19,327,269	
Estimated Hard Costs per Unit:	\$ 253,258	(\$10,383,569 /41 units including mgr. units)
Estimated per Unit Cost:	\$ 471,397	(\$19,327,269 /41 units including mgr. units)
Allocation per Unit:	\$ 317,073	(\$13,000,000 /41 units including mgr. units)
Allocation per Restricted Rental Unit:	\$ 325,000	(\$13,000,000 /40 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 13,000,000	\$ 7,750,000
LIH Tax Credit Equity	\$ 891,555	\$ 6,428,289
Deferred Developer Fee	\$ 1,674,890	\$ 708,633
Deferred Soft Loan Interest	\$ 150,552	\$ 150,552
HOME Investment Partnership Act	\$ 688,421	\$ 1,367,944
City of Santa Cruz CDBG	\$ 321,851	\$ 321,851
City of Santa Cruz Redevelopment Set-Aside	\$ 1,300,000	\$ 1,300,000
City of Santa Cruz Housing Trust Fund	\$ 1,300,000	\$ 1,300,000
Total Sources	\$ 19,327,269	\$ 19,327,269

Uses of Funds:	
Land Cost/Acquisition	\$ 2,492,500
Relocation	\$ 85,000
New Construction	\$ 10,984,908
Contractor Overhead & Profit	\$ 166,547
Architectural Fees	\$ 223,658
Survey and Engineering	\$ 333,700
Construction Interest and Fees	\$ 859,260
Permanent Financing	\$ 12,500
Legal Fees	\$ 105,000
Reserves	\$ 373,043
Appraisal	\$ 15,000
Hard Cost Contingency	\$ 477,589
Local Development Impact Fees	\$ 579,904
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 517,159
Developer Costs	\$ 2,089,001
Predevelopment Holding Cost	\$ 12,500
Total Uses	\$ 19,327,269

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:

70.5 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$13,000,000 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
Preservation Project	20	20	0
Exceeding Minimum Income Restrictions:	35	15	26
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	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	2
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	70.5