

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE  
September 18, 2013  
Staff Report  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A  
QUALIFIED RESIDENTIAL RENTAL PROJECT**

Prepared by: Sarah Lester

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**Applicant:** California Municipal Finance Authority

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**Allocation Amount Requested:**  
**Tax-exempt:** \$18,500,000

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**Project Information:**  
**Name:** Berkeley Scattered Site Housing  
**Project Address:** 15 Sites throughout the City of Berkeley (see attached)  
**Project City, County, Zip Code:** Berkeley, Alameda, 94702, 94703, 94709 & 94710

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**Project Sponsor Information:**  
**Name:** Berkeley 75 Housing Partners, LP (Related/Berkeley Development Co., LLC; and Berkeley 75 MGP, LLC)  
**Principals:** William A. Witte and Lydia N. Tan for Related/Berkeley Development Co., LLC; Jonathan B. Webb for Berkeley 75 MGP, LLC  
**Property Management Company:** Related Management Company

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**Project Financing Information:**  
**Bond Counsel:** Quint & Thimmig LLP  
**Underwriter:** Not Applicable  
**Credit Enhancement Provider:** Not Applicable  
**Private Placement Purchaser:** Citibank, N.A.  
**TEFRA Hearing Date:** July 16, 2013

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 74, plus 1 manager unit  
**Type:** Acquisition and Rehabilitation  
**Type of Units:** Family

The proposed project is located on 15 sites, totaling 3.6 acres, dispersed throughout the City of Berkeley. The project involves the rehabilitation and modernization of 75 existing townhomes. The targeted population for the project is large families. The 75 units comprising the project consists of 44 three-bedroom units of approximately 1,075 square feet and 31 four-bedroom units approximately 1,275 square feet. In an effort to allow smaller households to remain on site, three (3) four-bedroom apartments will be converted to three (3) three-bedroom units, and four (4) three-bedroom units will be converted to four (4) two-bedroom units. Post rehabilitation unit mix will be as follows: four (4) two-bedroom units, 43 three-bedroom units, and 28 four-bedroom units. All the units are attached 1- and 2-story townhouses of wood frame construction, with private backyards and off-street surface parking. The planned rehabilitation includes complete replacement of all unit interior finishes including new carpets and resilient flooring, new kitchen and bathroom cabinets and fixtures, including the installation of dishwashers, mechanical system upgrades and interior painting. The scope of work for the building exteriors includes new roofs, exterior painting and the replacement of windows and repair/replacement of siding, as necessary. Site improvements include new landscaping, irrigation, replacement of damaged flatwork and improved site drainage. Construction will start in January of 2014 and is expected to be completed by July 2014.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%  
77% (57 units) restricted to 50% or less of area median income households.  
23% (17 units) restricted to 60% or less of area median income households.  
**Unit Mix:** 2, 3 & 4 bedrooms

No service amenities will be provided for this project.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

<b>Estimated Total Development Cost:</b>	\$ 34,997,436	
<b>Estimated Hard Costs per Unit:</b>	\$ 117,872	(\$8,722,546 /74 units)
<b>Estimated per Unit Cost:</b>	\$ 472,938	(\$34,997,436 /74 units)
<b>Allocation per Unit:</b>	\$ 250,000	(\$18,500,000 /74 units)
<b>Allocation per Restricted Rental Unit:</b>	\$ 250,000	(\$18,500,000 /74 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: 1) First, the high appraised value of \$15.5 million, or \$207K per unit, which is due: a) to the large size of the units (71 of the 54 units are 3- or 4-bedroom units); and b) the location of the property in an expensive jurisdiction (City of Berkeley); and 2) The second is the large construction budget of \$9.9 million or \$132K per unit. As public housing, these units have experienced deferred maintenance for many years and are in need of significant rehabilitation; the construction scope of work includes replacement of all interior finishes and appliances, new roofs and windows, exterior painting, in addition to site and landscape work.

<b>Sources of Funds:</b>	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 18,500,000	\$ 11,271,856
Developer Equity	\$ 1,128	\$ 1,128
LIH Tax Credit Equity	\$ 1,690,239	\$ 11,274,657
Direct & Indirect Public Funds	\$ 11,879,241	\$ 11,448,144
Other (Def Costs to Perm)	\$ 2,926,827	\$ 0
Other (Capitalized Soft Loan Interest)	\$ 0	\$ 361,650
Other (Deferred Dev Fee)	\$ 0	\$ 640,000
<b>Total Sources</b>	<b>\$ 34,997,435</b>	<b>\$ 34,997,435</b>

<b>Uses of Funds:</b>	
Acquisition/Land Purchase	\$ 15,501,686
On & Off Site Costs	\$ 1,137,576
Hard Construction Costs	\$ 7,584,970
Architect & Engineering Fees	\$ 704,402
Contractor Overhead & Profit	\$ 1,184,514
Developer Fee	\$ 2,500,000
Relocation	\$ 516,558
Cost of Issuance	\$ 249,600
Capitalized Interest	\$ 2,108,000
Other Soft Costs (Marketing, etc.)	\$ 3,510,130
<b>Total Uses</b>	<b>\$ 34,997,436</b>

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**Description of Financial Structure and Bond Issuance:**

The financial structure for the proposed project will be a private placement transaction provided by Citibank, N.A. (the "Bank"). The Bank will directly purchase the bonds and advance bonds on a "draw down" basis. The construction period will be for a term of 24 months, plus one 6-month extension. The interest rate will be a variable rate equal to SIFMA plus a spread of 2.00% including a 5bps servicing fee. The rate will adjust weekly. During the permanent phase, the maximum loan amount will be \$12,230,000 and will be divided into two tranches. Tranche A will be loan in the amount of \$5,300,000 that will be supported by "base" project Net Operating Income, assuming no rental subsidy. The term of this loan will be 13.5 years amortized for a period of 35 years. The interest rate will be the sum of 16 year maturity "AAA" bond rates as published by Thompson Municipal Market Monitor ("MMD") plus a spread of 2.25%. Tranche B will be a loan in the amount of \$6,930,000 that will be supported by Project Section 8 rental subsidy "increment". The term of this loan will be 12.5 years amortized for a period of 35 years. The interest rate will be the sum of 15 year maturity "AAA" bond rates as published by Thompson Municipal Market Monitor ("MMD") plus a spread of 2.25%. Both rates for both tranches includes a 5bps servicing fee. The bonds will be issued by the California Municipal Finance Authority.

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**Analyst Comments:**

In 2011, the Berkeley Housing Authority (BHA) received permission from HUD to dispose of the 75 townhomes, the entirety of the BHA's public housing portfolio, provided that the homes are maintained as affordable housing. In furtherance of this goal, BHA selected the Related Companies of California and Affordable Housing Access to acquire, recapitalize and rehabilitate the properties.

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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:** 78.5 out of 130  
[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$18,500,000 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	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	7.5
Service Amenities	10	10	0
New Construction	10	10	0
Sustainable Building Methods	10	10	6
Negative Points	-10	-10	0
<b>Total Points</b>	<b>130</b>	<b>100</b>	<b>78.5</b>

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.

**CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**

13-076

**BERKELEY SCATTERED SITE**

**ADDRESSES**

<b>Property #</b>	<b>Address</b>	<b>Holder of Fee Interest (Land Owner)</b>
1	1107-1123 Francisco St.	Berkeley Unified School District*
2	1161-1175 Francisco St.	Berkeley Unified School District*
3	1323 Channing Way	Berkeley Housing Authority
	2374 West St.	
4	1360-1370 Dwight Way	Berkeley Housing Authority
5	1371 Dwight Way	Berkeley Housing Authority
	2450 Valley St.	
6	1402-1408 MLK Jr. Way	Berkeley Housing Authority
	1838-1840 Rose St.	
7	1500-1504 7th St.	Berkeley Housing Authority
	870-880 Jones St.	
8	1903-1927 Ward St.	Berkeley Unified School District*
9	2024-2036 Virginia St.	Berkeley Unified School District*
10	2725-2737 Sojourner Truth Ct.	Berkeley Housing Authority
	2798 A & B Sacramento St.	
11	1812 Fairview St. #A-C	City of Berkeley*
12	1521 Alcatraz Ave., #A-D	City of Berkeley*
13	1605 Stuart St., #A-C	City of Berkeley*
14	3016 Harper St., #A-B	City of Berkeley*
15	2231 8th St., #A-B	City of Berkeley*

\* The Berkeley Housing Authority holds leasehold interest on all sites where they do not hold fee simple interest.