

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 18, 2015
Staff Report
*REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT*

Prepared by: Brian Clark

Applicant: California Municipal Finance Authority

Allocation Amount Requested:
Tax-exempt: \$15,803,000

Project Information:
Name: Park Lane Apartments
Project Address: 109 Magnolia Avenue
Project City, County, Zip Code: Petaluma, Sonoma, 94952

Project Sponsor Information:
Name: Burbank Housing Development Corporation
Principals: Charles A. Cornell, Jon M. Stark & Stuart W. Martin
Property Management Company: Burbank Housing Management Corporation

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, NA
TEFRA Adoption Date: December 1, 2014

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 89, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

The Project, constructed in 1973 and enlarged and renovated in 2001, is located on a 5.21 acre parcel in a mixed residential/commercial area of Petaluma. The Project consists of 13 two-story buildings housing 16 studio units, 41 one-bedroom units, 32 two-bedroom units (89 tenant units) and 2 one-bedroom managers' units. All tenant units will be income restricted: 18 at 50% AMI and 71 at 60% AMI. Unit amenities include carpeting/vinyl flooring, stove/oven, garbage disposal and refrigerator. Community amenities include an on-site leasing office, community center, fitness room, laundry room, playground, picnic area, and an outdoor basketball court. Unit renovations will include new faucets, showerheads, shower surrounds, toilets, lighting, refrigerators, stoves, windows, flooring, wall-mounted heating units, kitchen cabinets/counters, doors and lock sets. Exterior renovations include drought-resistant landscaping, increased lighting, new security cameras, new solar PV system, increased attic insulation, painting and replacement of siding and roofing. Rehabilitation is expected to begin in March 2015 and be completed within 15 months.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
20% (18 units) restricted to 50% or less of area median income households.
80% (71 units) restricted to 60% or less of area median income households.
Unit Mix: Studio, 1 & 2 bedrooms

There are no service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 28,040,650
Estimated Hard Costs per Unit: \$ 70,483 (\$6,272,996 /89 units)
Estimated per Unit Cost: \$ 315,063 (\$28,040,650 /89 units)
Allocation per Unit: \$ 177,562 (\$15,803,000 /89 units)
Allocation per Restricted Rental Unit: \$ 177,562 (\$15,803,000 /89 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 15,803,000	\$ 8,431,000
Seller Carryback Loan	\$ 8,384,442	\$ 8,384,442
Gen. Partner/Ltd. Partner Capital Contributions	\$ 100	\$ 100
LIH Tax Credit Equity	\$ 966,783	\$ 9,667,826
Deferred Developer Fee	\$ 1,672,271	\$ 0
Accrued/Deferred Interest	\$ 287,586	\$ 287,586
Project Reserves	\$ 926,468	\$ 926,468
Operating Income	\$	\$ 343,228
Total Sources	\$ 28,040,650	\$ 28,040,650

Uses of Funds:	
Acquisition/Land Purchase	\$ 12,500,000
Hard Construction Costs	\$ 6,272,996
Architect & Engineering Fees	\$ 191,500
Contractor Overhead & Profit	\$ 449,514
Developer Fee	\$ 2,475,000
Relocation	\$ 465,500
Cost of Issuance	\$ 405,327
Capitalized Interest	\$ 470,411
Other Soft Costs (Marketing, etc.)	\$ 4,810,402
Total Uses	\$ 28,040,650

Description of Financial Structure and Bond Issuance:

The bonds will be purchased as a private placement transaction by Citibank, N.A. The construction phase will be for a period of 18 months, during which the construction loan will be interest-only at a monthly-adjustable variable rate equal to one month LIBOR plus a spread of 2.00%. Upon conversion to permanent phase, the bonds will be paid down to \$8,431,000 using a combination of LIHTC equity and operating income. The permanent loan will bear interest at a fixed rate equal to the 18-year LIBOR Swap Rate plus a spread of 2.00%. The rate will be committed at the time of closing of the construction phase financing. The permanent loan will have a 32 year term and a 35 year amortization period. The permanent loan will be supported by the following revenue sources: Tranche A, totaling \$3,125,000, supported by restricted rent NOI without HAP subsidy; Tranche B, totaling \$5,306,000, supported by HAP rent increment.

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: 62.5 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$15,803,000 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	30
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	0
Leveraging	10	10	0
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	10
Negative Points	-10	-10	0
Total Points	130	100	62.5

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.