

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**October 21, 2015**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Richard Fischer*

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**Applicant:** California Municipal Finance Authority

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**Allocation Amount Requested:**  
**Tax-exempt:** \$22,901,000

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**Project Information:**  
**Name:** Las Palmas Apartments  
**Project Address:** 15370 & 15375 Tropic Court  
**Project City, County, Zip Code:** San Leandro, Alameda, 94579

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**Project Sponsor Information:**  
**Name:** LPSL, LP (LPSL, LLC)  
**Principals:** John Gaffney, Timothy Silva, Janet Lockhart, Jim Kennedy,  
Linda Mandolini, Jan Peters for LPSL,LLC  
**Property Management Company:** Eden Housing Management, Inc.

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**Project Financing Information:**  
**Bond Counsel:** Jones Hall, A Professional Law Corporation  
**Underwriter:** Not Applicable  
**Credit Enhancement Provider:** Not Applicable  
**Private Placement Purchaser:** JP Morgan Chase Bank, N.A.  
**TEFRA Adoption Date:** September 8, 2015

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 90, plus 1 manager unit  
**Type:** Acquisition and Rehabilitation  
**Type of Units:** Family

Las Palmas Apartments was constructed in 1962 and is a 91-unit multifamily garden style low-rise project located at 15370 & 15375 Tropic Court, San Leandro. The neighborhood is primarily characterized by retail centers and low-rise apartment buildings. The project is an existing, occupied building and it has one-bedroom, two-bedroom, and three-bedroom units. Currently 69 of the 91 units are restricted as affordable units. The proposed rehab would increase that 78 restricted units (including the manager unit). The scope of rehabilitation will include reinforcing the building, upgrading the aging building systems, and implementing “greening and blueing” of the property by installing measures to reduce energy and water usage. Materials used during the repair and renewal of the property will be selected based on their environmental footprint and extended expected useful life. Anticipated rehabilitation will begin January 2016 and be completed by January 2017.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 86%

28% (25 units) restricted to 50% or less of area median income households.

58% (52 units) restricted to 60% or less of area median income households.

**Unit Mix:** 1, 2 & 3 bedrooms

Included service amenities are instructor-led educational, health and wellness or skill building classes and an available bona fide service coordinator/social worker. Minimum full-time equivalent hours per year: 484

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

<b>Estimated Total Development Cost:</b>	\$ 33,295,246	
<b>Estimated Hard Costs per Unit:</b>	\$ 74,756	(\$6,728,073 /90 units)
<b>Estimated per Unit Cost:</b>	\$ 369,947	(\$33,295,246 /90 units)
<b>Allocation per Unit:</b>	\$ 254,456	(\$22,901,000 /90 units)
<b>Allocation per Restricted Rental Unit:</b>	\$ 297,416	(\$22,901,000 /77 restricted units)

<b>Sources of Funds:</b>	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 22,901,000	\$ 5,770,000
Developer Equity	\$ 290,989	\$ 1,662,281
Deferred Developer Fee	\$ 1,043,243	\$ 1,043,243
LIH Tax Credit Equity	\$ 1,180,262	\$ 11,778,651
Direct & Indirect Public Funds	\$ 1,166,458	\$ 2,076,458
Seller Take Back Loan	\$ 5,766,115	\$ 5,766,115
Developer Perm Loan	\$ 0	\$ 5,000,000
Other (Deferred Costs)	\$ 944,179	\$ 195,498
<b>Total Sources</b>	<b>\$ 33,292,246</b>	<b>\$ 33,292,246</b>

<b>Uses of Funds:</b>	<u>Construction</u>
Acquisition/Land Purchase	\$ 15,750,000
Rehabilitation Costs	\$ 7,078,073
Relocation	\$ 1,610,000
Architectural	\$ 510,000
Survey & Engineering	\$ 510,000
Contingency Costs	\$ 1,447,585
Permanent Financing Expenses	\$ 124,694
Construction Period Expenses	\$ 2,336,303
Cost of Issuance	\$ 156,500
Legal Fees	\$ 185,501
Local Permit Fees	\$ 306,170
Capitalized Reserves	\$ 250,684
Developer Fee	\$ 2,500,000
Other Soft Costs (Marketing, etc.)	\$ 526,736
<b>Total Uses</b>	<b>\$ 33,292,246</b>

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

This bond transaction is a private placement by JPMorgan Chase Bank, N.A. (Chase). Chase will be providing the construction and permanent financing. During the construction financing phase the loan term will be for 18 months with a (variable) interest rate of Libor+145bps. During the permanent financing phase, the loan term will be for 18 years with an amortization period of 35 years at a (variable) rate of 10 year interest rate swap + 2.15%. The underwritten rate is 5.68%.

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**Analyst Comments:**

Not Applicable

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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:** 69.6 out of 130

[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$22,901,000 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	31
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	3.6
Community Revitalization Area	15	15	0
Site Amenities	10	10	10
Service Amenities	10	10	10
New Construction	10	10	0
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
<b>Total Points</b>	<b>130</b>	<b>100</b>	<b>69.6</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.