

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 16, 2016
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Devon King

Applicant: California Municipal Finance Authority

Allocation Amount Requested:
Tax-exempt: \$15,933,000

Project Information:
Name: Mackey Terrace Apartments
Project Address: 626 Owens Drive
Project City, County, Zip Code: Novato, Marin, 94949

Project Sponsor Information:
Name: Mackey Terrace EAH, LLC
Principals: Father Thomas Devereaux, Alvin Bonnett, Ethan Daniels, Jerry Webster, Lynn Berard for Mackey Terrace EAH LLC
Property Management Company: EAH Inc.

Project Financing Information:
Bond Counsel: Jones Hall, A Professional Law Corporation
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Union Bank N.A.
TEFRA Noticing Date: January 7, 2016
TEFRA Adoption Date: January 26, 2016

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 49, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Senior Citizens

Mackey Terrace is located on 2.47 acres at 626 Owens Drive in Novato. The site is irregularly shaped and gently sloping to the south with surrounding hillsides. The property is improved with a 3 story, 50 unit affordable senior rental apartment building with a unit reserved for an on-site manager. The improvements were completed in 1993. The building is wood frame on a level concrete slab, with wood siding, flat built-up and hip mansard roof, and solar photovoltaic panels on a portion of the roof, which provides electricity to the common areas. The units are interior accessed with two interior stairways and an elevator providing service to the upper floors. The units have gas wall furnaces, electric stoves, range hoods, disposals and refrigerators. There is no air conditioning, except for portable units in some apartments. All hot water is provided through a central hot water system. Project amenities include an entry lobby/sitting area, a community room with full commercial kitchen and patio, a manager's office, Resource Coordinator's office, laundry room, back patio area, community garden with raised planter boxes, patio with BBQ, maintenance workshop/office with separate maintenance garage, and on-site surface parking for 42 cars. The site is landscaped with a variety of trees, shrubbery and grass. The proposed rehab scope will upgrade major building systems that have become obsolete, reducing operating and maintenance expenses as well as improving energy efficiency. Sustainable features will be incorporated into the rehabilitation program, including selection of construction materials, waste disposal/recycling, air quality management and energy usage. Construction is scheduled to begin in June 2016, with a expected finish date in February 2017.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (49 units) restricted to 50% or less of area median income households.
Unit Mix: Studio & 1 bedroom

The proposed project will have a bonafide service coordinator but will not receive points.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 25,217,815	
Estimated Hard Costs per Unit:	\$ 73,841	(\$3,618,232 /49 units)
Estimated per Unit Cost:	\$ 514,649	(\$25,217,815 /49 units)
Allocation per Unit:	\$ 325,163	(\$15,933,000 /49 units)
Allocation per Restricted Rental Unit:	\$ 325,163	(\$15,933,000 /49 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 15,933,000	\$ 8,118,000
Seller Carryback	\$ 6,464,447	\$ 6,464,447
LIH Tax Credit Equity	\$ 854,989	\$ 9,494,889
Deferred Developer Fee	\$ 571,740	\$ 571,740
Accrued/Deferred Interest	\$ 256,854	\$ 256,854
Other(Income from Operations)	\$ 0	\$ 221,870
Other(Withdrawal from Project Reserves)	\$ 90,015	\$ 90,015
Total Sources	\$ 24,171,045	\$ 25,217,815

Uses of Funds:	
Land Cost/Acquisition	\$ 13,524,850
Rehabilitation	\$ 4,581,010
Construction Interest and Fees	\$ 971,225
Architectural Fees	\$ 436,182
Permanent Financing	\$ 67,590
Legal Fees	\$ 218,500
Reserves	\$ 550,240
Contingency Cost	\$ 851,202
Appraisal	\$ 17,500
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 927,776
Developer Costs	\$ 3,071,740
Total Uses	\$ 25,217,815

Description of Financial Structure and Bond Issuance:

The proposed financial structure of the bonds shall be a private placement with Union Bank N.A. During the construction financing phase the loan term will be for 14 months after the closing of the loan months with a variable interest rate of 65% of the 30 day LIBOR rate plus 1.65% (with no floor). During the permanent financing phase, the loan will be separated into two separate tranches, A and B, both of which will have a loan term for 15 years with an amortization period of 35 years at a fixed rate of 5.54%. There was no underwritten rate provided.

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: 69.5 out of 140
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$15,933,000 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	10
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	0
Leveraging	10	10	0
Community Revitalization Area	5	5	0
Site Amenities	10	10	2.5
Service Amenities	10	10	5
New Construction or Substantial Renovation	10	10	10
Sustainable Building Methods	10	10	2
Forgone Eligible Developer Fee (Competitive Allocation Process Only)	10	10	0
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	0
Negative Points (No Maximum)	-10	-10	0
Total Points	140	110	69.5

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.