

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 16, 2011
Staff Report
*REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT*

Prepared by: Crystal Alvarez

Applicant: California Statewide Communities Development Authority

Allocation Amount Requested:
Tax-exempt: \$4,000,000

Project Information:
Name: Alma Plaza Apartments
Project Address: 3445 Alma Street
Project City, County, Zip Code: Palo Alto, Santa Clara, 94306

Project Sponsor Information:
Name: Alma Commons, LLC (McNellis Family Trust, Golding Powers Trust and the Walter Family Trust)
Principals: John E. McNellis trustee, Michael S. Powers trustee and Mary E. Walter trustee

Project Financing Information:
Bond Counsel: Jones Hall, A Professional Law Corporation
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Wells Fargo, N.A.
TEFRA Hearing Date: December 14, 2010

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 14 units
Type: New Construction
Type of Units: Family

The project will be located on the second floor two-story mixed use building with one level of underground parking. The mixed-use development will contain retail, a grocery store and single family homes. The entire development is approximately 4.21 acres, but the project is approximately 1.10 acres.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (14 units) restricted to 50% or less of area median income households.
Unit Mix: 1 & 2 bedrooms

The project will consist of 12 one-bedroom units of approximately 686-876 square feet and 2 two-bedroom units of approximately 1081-1109 square feet. The development is within close proximity to public transportation, Mitchell Park and Fairmeadow Elementary School.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	8,023,282	
Estimated Hard Costs per Unit:	\$	377,114	(\$5,279,598 /14 units)
Estimated per Unit Cost:	\$	573,092	(\$8,023,282 /14 units)
Allocation per Unit:	\$	285,714	(\$4,000,000 /14 units)
Allocation per Restricted Rental Unit:	\$	285,714	(\$4,000,000 /14 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 the subterranean parking garage that will tie the project by a podium at grade. The project will be constructed above the grade. In addition, the project will incorporate green building features and be constructed to LEED Silver standards. There is also the high cost of development in the City of Palo Alto associated with building, planning and utility hook-up fees.

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 4,000,000	\$ 0
Developer Loan	\$ 0	\$ 950,000
LIH Tax Credit Equity	\$ 2,031,309	\$ 2,031,309
Member Equity	\$ 1,991,973	\$ 5,041,973
Total Sources	\$ 8,023,282	\$ 8,023,282

Uses of Funds:	
Land Purchase	\$ 970,561
On & Off Site Costs	\$ 411,141
Hard Construction Costs	\$ 4,868,457
Architect & Engineering Fees	\$ 305,449
Contractor Overhead & Profit	\$ 182,273
Cost of Issuance	\$ 366,500
Capitalized Interest	\$ 393,286
Other Soft Costs (Marketing)	\$ 525,615
Total Uses	\$ 8,023,282

Description of Financial Structure and Bond Issuance:

The project sponsor has received a commitment from Wells Fargo Bank, N.A. to purchase the bonds and provide the project with a 12 month construction loan. Upon maturity the loan will be paid-off with a combination of Low Income Housing Tax Credits, developer loan and member equity. This project is unique in that the project sponsor partners will serve as the equity investor.

Analyst Comments:

The project sponsor, Alma Commons, LLC and the project developer Trestle Alma Plaza, LLC have no previous experience with tax-exempt bond projects. However, the partners of the LLC also control McNellis Partners, LLC which has specialized in the construction of new shopping centers in Northern California since 1982. The company has developed a total of 48 projects in Northern California comprised of multi-family projects and shopping centers. Upon completion of the Alma Plaza Apartments the Project Sponsor will engage Palo Alto Housing Corporation to ensure that management keeps up with the annual compliance involved in managing low-income properties. Staff has confirmed that the proposed property manager is in good standing with the California Tax Credit Allocation Committee (TCAC). According to the TCAC compliance monitoring department, Palo Alto Housing is "currently...managing a very small tax credit portfolio our experience with them has been very positive, they know and understand Section 42 of the IRS code".

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 118
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$4,000,000 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
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	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	10
Sustainable Building Methods	8	8	3
Negative Points	-10	-10	0
Total Points	118	98	70.5

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.