

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
September 28, 2011
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Annie Ong

Applicant: California Municipal Finance Authority

Allocation Amount Requested:
Tax-exempt: \$19,114,911

Project Information:
Name: St. Joseph's Family Apartments
Project Address: 2647 International Blvd.
Project City, County, Zip Code: Oakland, Alameda, 94601

Project Sponsor Information:
Name: St. Joseph's Family Associates, L.P. (BRIDGE NOCRAL, LLC and BRIDGE Regional Partners, Inc.)
Principals: Cynthia Parker, Rebecca Clark, Susan Johnson, D. Valentine for both entities
Property Management Company: BRIDGE Property Management Company

Project Financing Information:
Bond Counsel: Quint & Thimmig LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: US Bank, N.A.
TEFRA Hearing Date: May 23, 2011

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 61, plus 1 manager unit
Type: New Construction
Type of Units: Family

The proposed Project is phase II of a multi-phased affordable housing development located in the city of Oakland. There will be a total of 62 units, 58 of which will be within a new 4-story podium building and 4 units will be built as an adaptive reuse of two historic buildings. The neighborhood is one of the most ethnically diverse localities in the City. The Project is targeted to serve families of very low, low, and moderate incomes between 30% AMI and 60% AMI. The Project site is nominated to be listed on the National Register of Historic Places as a single historic asset. Two historic buildings will be rehabilitated to accommodate 4 units. Construction is scheduled to begin December 2011 and finished in April 2013.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
70% (43 units) restricted to 50% or less of area median income households.
30% (18 units) restricted to 60% or less of area median income households.
Unit Mix: 1, 2 & 3 bedrooms

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 30,401,234	
Estimated Hard Costs per Unit:	\$ 263,882	(\$263,882 /61 units)
Estimated per Unit Cost:	\$ 498,381	(\$30,401,234 /61 units)
Allocation per Unit:	\$ 313,359	(\$19,114,911 /61 units)
Allocation per Restricted Rental Unit:	\$ 313,359	(\$19,114,911 /61 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 site having been nominated to be on the National Register of Historic Places. Historic tax credit approvals for rehabilitating the historic Main Building in the Phase 1 project and leveraging additional historic tax credits for the smaller historic structures in the Phase 2 project required conformance with the Secretary of the Interior’s Standards for the Treatment of Historic Structures. Per the Standards, “New additions, exterior alterations, or related new construction shall not destroy historic materials that characterize the property. The new work shall be differentiated from the old and shall be compatible with the massing, size, scale, and architectural features to protect the historic integrity of the property and its environment.” New construction at the St. Joseph’s Family Apartments development is designed to be compatible with the historic buildings at the site in conformance with the Secretary of Interiors Standards for new construction and requires using higher cost materials.

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 19,114,911	\$ 4,154,098
Deferred Developer Fee	\$ 1,278,789	\$ 1,278,789
LIH Tax Credit Equity	\$ 1,076,607	\$ 10,766,067
Direct & Indirect Public Funds	\$ 6,937,201	\$ 13,467,280
FHLB Affordable Housing Program	\$ 610,000	\$ 610,000
NCCLF/Haas Foundation Grants	\$ 125,000	\$ 125,000
Total Sources	\$ 29,142,508	\$ 30,401,234
Uses of Funds:		
Land Purchase	\$ 2,800,000	
On & Off Site Costs	\$ 760,017	
Hard Construction Costs	\$ 15,336,786	
Architect & Engineering Fees	\$ 1,884,927	
Contractor Overhead & Profit	\$ 1,359,381	
Developer Fee	\$ 2,500,000	
Cost of Issuance	\$ 422,909	
Capitalized Interest	\$ 752,817	
Other Soft Costs (Marketing, etc.)	\$ 4,584,397	
Total Uses	\$ 30,401,234	

Description of Financial Structure and Bond

St. Joseph's Family Apartments will be financed by U.S. Bank National Association, which will purchase the construction period and permanent bonds. The Bank will purchase construction period bonds in the amount of \$19,114,911 and is anticipated to close on October 1, 2011. Once permanent, a portion of the construction bond proceeds will be redeemed from Low-Income Housing Tax Credit equity and the portion of the city of Oakland RDA funds that are held back until conversion. Construction period bonds will be floating rate during construction, based on 3.000% over 30-day LIBOR, multiplied by the Bank's tax-exempt equivalency factor. Permanent bonds will be in two tranches, will be fixed rate, and will amortize over 30 years, due at the end of year 15. The permanent bonds will be priced at 2.50% over the CIP index, multiplied by the Bank's tax-exempt equivalency factor. Estimated underwriting rate is 6.60%, which includes 0.10% issuer fee to California Municipal Finance Authority. Two tranches of permanent bonds are Residential NOI \$2,007,900 and Section 8 Income \$2,146,198.

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: 85 out of 118

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$19,114,911 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]	0
Gross Rents	5	5	5
Large Family Units	5	5	5
Leveraging	10	10	10
Community Revitalization Area	15	15	10
Site Amenities	10	10	10
Service Amenities	10	10	0
New Construction	10	10	10
Sustainable Building Methods	8	8	0
Negative Points	-10	-10	0
Total Points	118	98	85

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.