

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 14, 2011
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Crystal Alvarez

Applicant: California Municipal Finance Authority

Allocation Amount Requested:
Tax-exempt: \$4,500,000

Project Information:
Name: Drasnin Manor Apartments
Project Address: 2530 International Boulevard
Project City, County, Zip Code: Oakland, Alameda, 94601

Project Sponsor Information:
Name: Drasnin Manor, L.P. (Drasnin Manor, LLC)
Principals: Jeremy Liu
Property Management Company: East Bay Asian Local Development Corporation

Project Financing Information:
Bond Counsel: Jones Hall, A Professional Law Corporation
Private Placement Purchaser: Citibank, N.A.
TEFRA Hearing Date: November 14, 2011

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 25, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

The subject property is a 0.69 acre site (30,090 square feet) existing multifamily residential complex with over 2,900 square feet of ground floor retail. The building includes twenty-six (26) residential units with a mix of one, two and three bedroom units. The rehabilitation is designed to address the deferred maintenance that has accumulated over the years.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (25 units) restricted to 50% or less of area median income households.
Unit Mix: 1, 2 & 3 bedrooms

The project sponsor has committed to provided educational classes and a bona fide service coordinator/social worker to residents for a period of 10 years.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 11,508,425	
Estimated Hard Costs per Unit:	\$ 129,679	(\$3,241,970 /25 units)
Estimated per Unit Cost:	\$ 460,337	(\$11,508,425 /25 units)
Allocation per Unit:	\$ 180,000	(\$4,500,000 /25 units)
Allocation per Restricted Rental Unit:	\$ 180,000	(\$4,500,000 /25 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 acquisition cost for a relatively small project in a high cost regional area.

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 4,500,000	\$ 2,116,800
Developer Equity	\$ 50,000	\$ 50,000
Deferred Developer Fee	\$ 0	\$ 147,785
LIH Tax Credit Equity	\$ 450,000	\$ 2,502,850
Direct & Indirect Public Funds	\$ 5,790,990	\$ 6,690,990
Total Sources	\$ 10,790,990	\$ 11,508,425
Uses of Funds:		
Acquisition	\$ 4,532,448	
On & Off Site Costs	\$ 190,545	
Hard Construction Costs	\$ 3,051,425	
Architect & Engineering Fees	\$ 320,089	
Contractor Overhead & Profit	\$ 574,037	
Developer Fee	\$ 912,393	
Cost of Issuance	\$ 165,188	
Capitalized Interest	\$ 171,255	
Other Soft Costs (Marketing, etc.)	\$ 1,591,045	
Total Uses	\$ 11,508,425	

Description of Financial Structure and Bond Issuance:

The bonds will be privately placed with Citibank, N.A. The construction loan will be for a term of 24 months with a variable rate equal to SIFMA plus a spread of 3.00%. The loan will then convert to permanent with a fixed rate equal to a 2-year SIFMA swap rate plus a spread of 3.50% for a term of 15 years and amortized over 30 years.

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:

83 out of 118

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$4,300,000 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]	0
Gross Rents	5	5	5
Large Family Units	5	5	5
Leveraging	10	10	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	10
Service Amenities	10	10	10
New Construction	10	10	0
Sustainable Building Methods	8	8	8
Negative Points	-10	-10	0
Total Points	118	98	83

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.