

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 13, 2013
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Sarah Lester

Applicant: California Municipal Finance Authority

Allocation Amount Requested:
Tax-exempt: \$11,250,000

Project Information:
Name: Eldridge Gonaway Commons Apartments
Project Address: 275 East 12th Street
Project City, County, Zip Code: Oakland, Alameda, 94606

Project Sponsor Information:
Name: Eldridge, LP (RCD Housing, LLC)
Principals: Katherine Fleming, Jacque Keller, Kattye Giles, Artise Hardy and Betty Blackmore-Gee
Property Management Company: The John Stewart Company

Project Financing Information:
Bond Counsel: Jones Hall, A Professional Law Corporation
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, N.A.
TEFRA Hearing Date: November 6, 2012

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 39, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

The proposed project is an existing affordable, family housing development located in the City of Oakland. It was originally constructed in 1982. The development consists of 7 separate buildings on a 1.5 acre site. All of the buildings are two- and three-stories. It includes 40 residential units, of which 10 are one-bedroom, 14 are two-bedroom, 14 are three-bedroom and two (2) are four-bedroom units. The property has a separate community building, laundry facilities, a children's playground, and centrally located open space. There are 37 total parking spaces, 22 of which are garage spaces and 15 of which are surface spaces. The scope of the rehabilitation is to modernize the interior and exterior of the buildings, upgrade the individual units, address any waterproofing, accessibility, seismic or other original design concerns, upgrade all systems, improve overall energy and water efficiency, and expand and enhance the on-site amenities for the residents. Construction is expected to begin in early May 2013 and expected to be completed in phases over the course of nine months with a completion date of March 1, 2014.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 92%
62% (24 units) restricted to 50% or less of area median income households.
31% (12 units) restricted to 60% or less of area median income households.
Unit Mix: 1, 2, 3 & 4 bedrooms

There will be no services amenities provided for the project.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 18,758,279
Estimated Hard Costs per Unit: \$ 167,647 (\$6,538,234 /39 units)
Estimated per Unit Cost: \$ 480,982 (\$18,758,279 /39 units)
Allocation per Unit: \$ 288,462 (\$11,250,000 /39 units)
Allocation per Restricted Rental Unit: \$ 312,500 (\$11,250,000 /36 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: 1) High cost of acquisition; 2) Extensive waterproofing and seismic repairs; and 3) High cost of relocation.

| Sources of Funds: | <u>Construction</u> | <u>Permanent</u> |
|--|----------------------|----------------------|
| Tax-Exempt Bond Proceeds | \$ 11,250,000 | \$ 5,462,000 |
| Developer Equity | \$ 0 | \$ 757,246 |
| LIH Tax Credit Equity | \$ 355,048 | \$ 6,884,650 |
| Direct & Indirect Public Funds | \$ 2,677,830 | \$ 2,677,830 |
| Other (Seller financing and costs def to perm) | \$ 4,475,401 | \$ 2,976,553 |
| Total Sources | \$ 18,758,279 | \$ 18,758,279 |

| Uses of Funds: | |
|------------------------------------|----------------------|
| Acquisition/Land Purchase | \$ 4,866,282 |
| On & Off Site Costs | \$ 335,176 |
| Hard Construction Costs | \$ 6,203,058 |
| Architect & Engineering Fees | \$ 605,000 |
| Contractor Overhead & Profit | \$ 558,627 |
| Developer Fee | \$ 2,180,173 |
| Relocation | \$ 750,000 |
| Cost of Issuance | \$ 259,727 |
| Capitalized Interest | \$ 90,584 |
| Other Soft Costs (Marketing, etc.) | \$ 2,909,652 |
| Total Uses | \$ 18,758,279 |

Description of Financial Structure and Bond Issuance:

The proposed project will be a private placement transaction provided by Citibank, N.A. The construction period bonds will be floating rate during construction used for underwriting is 3.5% The permanent bonds will be fixed rate. The rate will be forward locked at construction loan closing and is anticipated to be 5.25%. The bond will be serviced by residential Net Operating Income and project-based Section 8 subsidy available on all 39 restricted units. The bond based on the underlying rents will be amortized over 30 years and be due at the end of year 17, at which point the borrower will refinance. The portion of the mortgage supported by the Section 8 subsidy will be amortized over 20 years but, also due in 17 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:

70 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$11,250,000 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 | 5 |
| Leveraging | 10 | 10 | 10 |
| Community Revitalization Area | 15 | 15 | 0 |
| Site Amenities | 10 | 10 | 5 |
| Service Amenities | 10 | 10 | 0 |
| New Construction | 10 | 10 | 0 |
| Sustainable Building Methods | 10 | 10 | 0 |
| Negative Points | -10 | -10 | 0 |
| Total Points | 130 | 100 | 70 |

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.