

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 15, 2013
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: \$11,250,000

Project Information:
Name: Cochrane Village Apartments
Project Address: 18555 Butterfield Boulevard
Project City, County, Zip Code: Morgan Hill, Santa Clara, 95037

Project Sponsor Information:
Name: Cochrane Morgan Hill EAH, L.P. (Cochrane Morgan Hill Ranch EAH, LLC and EAH, Inc.)
Principals: Mary Murtagh, Matthew Steinle and Laura Hall for both entities
Property Management Company: EAH Inc.

Project Financing Information:
Bond Counsel: Jones Hall, A Professional Law Corporation
Private Placement Purchaser: Citibank, N.A
TEFRA Hearing Date: March 27, 2013

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 94, plus 2 manager units
Type: Acquisition and Rehabilitation
Type of Units: Family

Cochrane Village is a two and three stories garden-style apartments project located at the southwestern block of Cochrane Road and Butterfield Boulevard. The complex consists of 12 clusters of residential building of eight units each and a separate community building. The community building has a lounge, community kitchen, restrooms and a leasing office. The existing vacant daycare facility will be renovated into a community conference space for resident classes and tenant social events. New photovoltaic panels will be installed on the carport to offset at least 50% of the current common electricity usage. A solar thermal system will be installed to the 12 buildings to reduce about 40% of gas consumption for the central hot water boilers.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
84% (79 units) restricted to 50% or less of area median income households.
16% (15 units) restricted to 60% or less of area median income households.
Unit Mix: 1, 2, 3 & 4 bedrooms

The project sponsor has committed to providing a service coordinator/social worker free of charge for the residents of the project for a period of 10 years.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

| | | |
|---|---------------|-------------------------------------|
| Estimated Total Development Cost: | \$ 18,318,243 | |
| Estimated Hard Costs per Unit: | \$ 43,310 | (\$4,071,142 /94 units) |
| Estimated per Unit Cost: | \$ 194,875 | (\$18,318,243 /94 units) |
| Allocation per Unit: | \$ 119,681 | (\$11,250,000 /94 units) |
| Allocation per Restricted Rental Unit: | \$ 119,681 | (\$11,250,000 /94 restricted units) |

| Sources of Funds: | <u>Construction</u> | <u>Permanent</u> |
|---|----------------------|----------------------|
| Tax-Exempt Bond Proceeds | \$ 11,250,000 | \$ 5,650,700 |
| Seller Carryback Loan | \$ 528,523 | \$ 528,523 |
| Deferred Developer Fee | \$ 508,753 | \$ 508,753 |
| LIH Tax Credit Equity | \$ 594,384 | \$ 5,943,838 |
| Direct & Indirect Public Funds | \$ 4,819,567 | \$ 4,819,567 |
| Solar/PV Rebate | \$ 0 | \$ 155,678 |
| Income from Operations | \$ 0 | \$ 332,769 |
| Developer Equity | \$ 200,000 | \$ 200,000 |
| Accrued/Deferred Interest during const. | \$ 178,415 | \$ 178,415 |
| Total Sources | \$ 18,079,642 | \$ 18,318,243 |

| Uses of Funds: | |
|------------------------------------|----------------------|
| Acquisition/Land Purchase | \$ 10,257,945 |
| On & Off Site Costs | \$ 364,170 |
| Hard Construction Costs | \$ 3,706,972 |
| Architect & Engineering Fees | \$ 285,000 |
| Contractor Overhead & Profit | \$ 183,056 |
| Developer Fee | \$ 1,271,884 |
| Relocation | \$ 32,700 |
| Cost of Issuance | \$ 294,847 |
| Capitalized Interest | \$ 506,030 |
| Other Soft Costs (Marketing, etc.) | \$ 1,415,639 |
| Total Uses | \$ 18,318,243 |

Description of Financial Structure and Bond Issuance:

The tax-exempt bond allocation will be privately placed with Citibank, N.A. The bank has committed to providing the construction and permanent financing for the project. The construction loan will carry a variable rate, based on the SIFMA Municipal Swap Index plus 2.25% for a period of 18 months. The permanent loan will carry a term and amortization of 35 years. The construction loan will convert to a permanent loan with a fixed rate equal to the sum of an 18 year maturity "AAA" bond rate as published by Thompson Municipal Market Monitor plus a spread of 2.50%. The rate is currently 4.89%.

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: 70.5 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 | 0 |
| Community Revitalization Area | 15 | 15 | 0 |
| Site Amenities | 10 | 10 | 2.5 |
| Service Amenities | 10 | 10 | 5 |
| New Construction | 10 | 10 | 0 |
| Sustainable Building Methods | 10 | 10 | 8 |
| Negative Points | -10 | -10 | 0 |
| Total Points | 130 | 100 | 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.