

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**September 18, 2013**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Leslie J. Campaz*

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**Applicant:** California Municipal Finance Authority

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**Allocation Amount Requested:**  
**Tax-exempt:** \$12,310,000

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**Project Information:**  
**Name:** Eden House Apartments  
**Project Address:** 1601 165th Ave.  
**Project City, County, Zip Code:** San Leandro, Alameda, 94578

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**Project Sponsor Information:**  
**Name:** Eden House, LP (Mercy Housing Calwest; South of Market Mercy Housing)  
**Principals:** Valerie Agostino, Douglas Shoemaker and Vince Dodds for Mercy Housing Calwest; Jane Graf, Doug Shoemaker and Vince Dodds for South of Market Mercy Housing.  
**Property Management Company:** Mercy Housing Management Group

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**Project Financing Information:**  
**Bond Counsel:** Jones Hall, A Professional Law Corporation  
**Private Placement Purchaser:** U.S. Bank N.A.  
**TEFRA Hearing Date:** July 30, 2013

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 113, plus 3 manager units  
**Type:** Acquisition and Rehabilitation  
**Type of Units:** Family

The proposed acquisition and rehabilitation project is an existing 116-unit facility located in the City of San Leandro. The unit mix is comprised of 10 one-bedroom units, 72 two-bedroom units, 22 three-bedroom units, and 12 four-bedroom units. The proposed project will target families earning up to 60% of the area median income for Alameda County. Building improvements that are contemplated as part of the rehabilitation project include: landscaping, asphalt paving, painting exterior of buildings, new light fixtures in units, range hoods, ventilation in bathrooms, and new kitchen cabinetry. It is estimated that rehabilitation will start in January 2014 and will last twelve months.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 81%  
41% (46 units) restricted to 50% or less of area median income households.  
41% (46 units) restricted to 60% or less of area median income households.  
**Unit Mix:** 1, 2, 3 & 4 bedrooms

A bona fide service coordinator will be included as a service amenity for a minimum of 10 years.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

**Estimated Total Development Cost:** \$ 22,324,853  
**Estimated Hard Costs per Unit:** \$ 49,762 (\$5,623,162 /113 units)  
**Estimated per Unit Cost:** \$ 197,565 (\$22,324,853 /113 units)  
**Allocation per Unit:** \$ 151,515 (\$12,310,000 /113 units)  
**Allocation per Restricted Rental Unit:** \$ 133,804 (\$12,310,000 /92 restricted units)

<b>Sources of Funds:</b>	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 12,310,000	\$ 3,566,000
Deferred Developer Fee	\$ 164,221	\$ 164,221
LIH Tax Credit Equity	\$ 664,757	\$ 6,647,573
Other (General Partner Loan)	\$ 0	\$ 3,750,000
Other (Seller Carryback Loan)	\$ 7,409,768	\$ 7,409,768
Other (Deffered Interest)	\$ 345,789	\$ 345,789
Other (Project Reserves)	\$ 263,396	\$ 263,396
Other (Income from Operations)	\$ 0	\$ 178,106
<b>Total Sources</b>	<b>\$ 21,157,931</b>	<b>\$ 22,324,853</b>

<b>Uses of Funds:</b>	
Acquisition/Land Purchase	\$ 11,050,000
Total Hard Construction Costs	\$ 5,623,162
Architect and Engineering Fees	\$ 155,000
Contractor Overhead & Profit	\$ 248,385
Developer Fee	\$ 1,510,632
Relocation	\$ 310,000
Cost of Issuance	\$ 318,023
Capitalized Reserves	\$ 958,458
Other Soft Costs	\$ 2,151,193
<b>Total Uses</b>	<b>\$ 22,324,853</b>

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**Description of Financial Structure and Bond Issuance:**

This is a private placement bond transaction with the bonds being purchased by U.S. Bank ("the Bank"). The Series B construction period bonds will be floating rate during construction, based on 30-day LIBOR plus a spread of 1.75% multiplied by the Bank's tax-exempt equivalency factor (estimated to be 80%). The all-in rate during construction used for underwriting is 3.78%. The Series A permanent bonds will carry a fixed rate that will be set with a forward lock at the time of the initial bond closing transaction. These will be serviced by residential NOI at TCAC/CDLAC rents and will amortize over 25 years. These bonds will mature at the end of year 17, at which point the borrower will refinance in order to retire the outstanding balance. The permanent period bonds will be priced at the CIP index plus a spread of 1.75%, multiplied by the Bank's tax-exempt equivalency factor (estimated to be 80%). The estimated underwriting rate is 5.75%.

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**Analyst Comments:**

Not Applicable

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**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.

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**Total Points:**

60 out of 130

[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$12,310,000 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	5
Service Amenities	10	10	5
New Construction	10	10	0
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
<b>Total Points</b>	<b>130</b>	<b>100</b>	<b>60</b>

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.