

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 16, 2014
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Richard Fischer

Applicant: City of Hayward

Allocation Amount Requested:
Tax-exempt: \$33,000,000

Project Information:
Name: South Hayward BART Family & Senior Affordable Apts.
Project Address: 28901 Mission Boulevard
Project City, County, Zip Code: Hayward, Alameda, 94544

Project Sponsor Information:
Name: To Be Formed (Eden Housing, Inc.)
Principals: Jesus Armas, Timothy Silva, Pauline Weaver, Kathleen Hamm
and Linda Mandolini for Eden Housing, Inc.
Property Management Company: Eden Housing Management

Project Financing Information:
Bond Counsel: Jones Hall, A Professional Law Corporation
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Wells Fargo Bank, N.A.
TEFRA Adoption Date: May 13, 2014

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 150, plus 1 manager unit
Type: New Construction
Type of Units: Family/Senior Citizen

The South Hayward BART Family & Senior Project (Project) is a new construction, 151 unit affordable rental project on a 1.44 acre parcel. The Project will target to very low and extremely low income families earning between 20% Area Median Income (AMI) and 50% AMI. The development is comprised of two apartment communities, an 87 unit (5 one-bedrooms, 50 two-bedrooms and 32 three-bedrooms) family community and a 64 unit (59 one-bedrooms and 5 two-bedrooms) senior community. Each community (Family and Senior) will have its own community room, computer room, management and services offices. Community amenities include green design living space along with community gardens. It is anticipated that construction will commence in August, 2013 and will take 24 months to complete.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (150 units) restricted to 50% or less of area median income households.
Unit Mix: 1, 2 & 3 bedrooms

There are no service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

| | | |
|---|---------------|--------------------------------------|
| Estimated Total Development Cost: | \$ 53,888,494 | |
| Estimated Hard Costs per Unit: | \$ 256,044 | (\$38,406,667 /150 units) |
| Estimated per Unit Cost: | \$ 359,257 | (\$53,888,494 /150 units) |
| Allocation per Unit: | \$ 220,000 | (\$33,000,000 /150 units) |
| Allocation per Restricted Rental Unit: | \$ 220,000 | (\$33,000,000 /150 restricted units) |

| Sources of Funds: | Construction | Permanent |
|--------------------------------|---------------|---------------|
| Tax-Exempt Bond Proceeds | \$ 33,000,000 | \$ 2,627,500 |
| Developer Equity | \$ | \$ 100 |
| LIH Tax Credit Equity | \$ 3,500,000 | \$ 21,284,511 |
| Direct & Indirect Public Funds | \$ 14,875,000 | \$ 29,976,383 |
| Total Sources | \$ 51,375,000 | \$ 53,888,494 |

| Uses of Funds: | |
|------------------------------------|---------------|
| Acquisition/Land Purchase | \$ 2,735,806 |
| On & Off Site Costs | \$ 1,972,475 |
| Hard Construction Costs | \$ 36,434,192 |
| Architect & Engineering Fees | \$ 1,694,583 |
| Contractor Overhead & Profit | \$ 1,109,696 |
| Developer Fee | \$ 2,500,000 |
| Cost of Issuance | \$ 640,648 |
| Capitalized Interest | \$ 1,772,461 |
| Other Soft Costs (Marketing, etc.) | \$ 5,028,633 |
| Total Uses | \$ 53,888,494 |

Description of Financial Structure and Bond Issuance:

This is a Wells Fargo Bank, N.A. private placement transaction with the City of Hayward issuing the Bonds. The Construction Loan shall bear interest at a rate per annum (computed on the basis of a 360-day year, actual number of days elapsed) equal to one hundred eighty five basis points (1.85%) above Lender's quoted one month LIBOR Rate in effect from time to time. "LIBOR Rate" is the rate of interest, rounded upward to the nearest whole multiple of one-sixteenth of one percent (.0625%), quoted by Lender as the London Inter-Bank Offered Rate for deposits in U.S. Dollars at approximately 9:00a.m. California time pursuant to a Fixed Rate Agreement. While Wells Fargo will attempt to maintain an Interest Rate that preserves feasibility for the project and the Bank, Wells Fargo reserves the right to increase the spread over the 30-day LIBOR rate to reflect market conditions including the cost of funds during the term of this commitment. The Permanent Loan shall bear interest at the greater of 5.00% or IS-Year AAA Muni Index+ 1.75% with a reprice to the greater of 5.00 or 15-Year AAA Muni Index+ 2.00% in Year 16. This includes a two year forward rate lock subject to delivery assurance and yield maintenance if not delivered. The Permanent Loan is subject to standard yield maintenance language. Upon conversion to the Permanent Loan, the Borrower shall make payments of interest and principal over a 30-year term based on a 30-year amortization schedule.

Analyst Comments:

This is a HCD TOD project.

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: 65 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$33,000,000 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 | 0 |
| Leveraging | 10 | 10 | 10 |
| Community Revitalization Area | 15 | 15 | 0 |
| Site Amenities | 10 | 10 | 5 |
| Service Amenities | 10 | 10 | 0 |
| New Construction | 10 | 10 | 10 |
| Sustainable Building Methods | 10 | 10 | 0 |
| Negative Points | -10 | -10 | 0 |
| Total Points | 130 | 100 | 65 |

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.