

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
September 17, 2014
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Devon King

Applicant: California Housing Finance Agency

Allocation Amount Requested:
Tax-exempt: \$17,500,000

Project Information:
Name: Downtown Hayward Senior Apartments
Project Address: 808 A Street
Project City, County, Zip Code: Hayward, Alameda, 94541

Project Sponsor Information:
Name: Downtown Hayward Sr. Apts, LP(Hayward Downtown Sr. Apts LLC and CHBA Affordable LLC)
Principals: John Huskey, Kasey Burke, Aaron Mandel, and George Russo for Hayward Downtown Sr. Apts, LLC; and Graham Espley Jones, Sandra Gibbons and Leanne Truofreh for CHBA
Property Management Company: Cambridge Real Estate Services

Project Financing Information:
Bond Counsel: Orrick, Harrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: CitiBank
TEFRA Adoption Date: Awaiting STO

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 59, plus 1 manager unit
Type: New Construction
Type of Units: Senior Citizens/Special Needs

The proposed project is located in the city of Hayward, County of Alameda. The project will consist of constructing 60 one and two bedroom rental apartments within one 3 story building on approximately 60,000 square feet of space. Currently there are no structures on the property except for a small worn down building. Of the 60 newly constructed units 40, of the units will be no greater than 50% AMI, 19 will be no greater than 60% AMI, and one will be held as the manager unit. According to the application the project will be designed and constructed using sustainable "green building" principles and be situated in a L shaped Lot. The unit configuration will be 1-, and 2- bedroom apartments. The project will feature a large courtyard, a large community room, a computer and multi-media room, outdoor barbecues and tables, communal kitchen, library, fitness center, laundry room, and landscaping. The application states that construction will begin in December 2014 and be complete by February 2016.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
68% (40 units) restricted to 50% or less of area median income households.
32% (19 units) restricted to 60% or less of area median income households.
Unit Mix: 1 & 2 bedrooms

There will be no service amenities provided for the project.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 24,145,653
Estimated Hard Costs per Unit: \$ 203,814 (\$12,025,000 /59 units)
Estimated per Unit Cost: \$ 409,248 (\$24,145,653 /59 units)
Allocation per Unit: \$ 296,610 (\$17,500,000 /59 units)
Allocation per Restricted Rental Unit: \$ 296,610 (\$17,500,000 /59 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 higher infrastructure costs due to increased density and several energy efficiency upgrades to the plumbing, irrigation, electric and roofing upgrades; the cost of combating subsurface soil condition with an enhanced vapor barrier high prevailing wage costs, and equipment installation costs.

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 17,500,000	\$ 1,457,922
Deferred Developer Fee	\$ 2,268,308	\$ 567,134
LIH Tax Credit Equity	\$ 2,377,344	\$ 11,886,721
Direct & Indirect Public Funds	\$ 2,000,000	\$ 10,233,876
Total Sources	\$ 24,145,652	\$ 24,145,653
Uses of Funds:		
Acquisition/Land Purchase	\$ 1,948,750	
On & Off Site Costs	\$ 2,225,000	
Hard Construction Costs	\$ 9,800,000	
Architect & Engineering Fees	\$ 1,150,000	
Contractor Overhead & Profit	\$ 1,443,000	
Developer Fee	\$ 2,185,352	
Cost of Issuance	\$ 175,000	
Capitalized Interest	\$ 447,344	
Other Soft Costs (Marketing, etc.)	\$ 4,771,207	
Total Uses	\$ 24,145,653	

Description of Financial Structure and Bond Issuance:

The project financing structure will be a private placement transaction by Citibank, NA. The Construction loan will have a term of 21 months with an option for a 6 month extension. There will be a variable interest rate equal to the SIFMA Municipal Swap Index plus a spread of 2.18%. Citi is underwriting with a 1% rate. The permanent phase loan is estimated to be \$1,457,922. The permanent loan will be amortized over 35 years with a 35 year term. It will have with a fixed interest rate equal to the sum of 17 year maturity "AAA" bond rate plus a spread of 2.04%

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: 76.42 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$17,500,000 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]	1.42
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	10
Service Amenities	10	10	0
New Construction	10	10	10
Sustainable Building Methods	10	10	5
Negative Points	-10	-10	0
Total Points	130	100	76.42

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.