

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 18, 2015
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: \$21,336,900

Project Information:
Name: Edgewater Isle Apartments
Project Address: 1510 Marina Vista
Project City, County, Zip Code: San Mateo, San Mateo, 94404

Project Sponsor Information:
Name: Edgewater Isle Associates, L.P. (HIP Housing Development Corporation, Inc.)
Principals: Bruce Bean, Addie Chan, Susan Huetteman, Kathy Lavezzo, Virginia Taylor
Property Management Company: Westlake Realty Group, Inc.

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citi Community Capital
TEFRA Adoption Date: January 13, 2015

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 91, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Senior Citizens

The proposed project is an 92 unit affordable senior acquisition and rehabilitation housing development located in San Mateo, California. The proposed project currently has 91 one-bedroom units with 25 of those units at 50% Area Median Income and 66 at 60% Area Median Income respectively. The rehabilitation will include, but is not limited to, replacing kitchen and bathroom cabinets, replacing windows, replacing domestic hot water and space heating hot water, renovation of the community building, installation of solar PV panels, as well as other aesthetic improvements. The rehabilitation is expected to cause a three week relocation for the residents. The rehabilitation is expected to start in January 2015, and be complete in December 2015.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

27% (25 units) restricted to 50% or less of area median income households.

73% (66 units) restricted to 60% or less of area median income households.

Unit Mix: 1 bedroom

There will be no Service Amenities for the project

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 38,160,523	
Estimated Hard Costs per Unit:	\$ 104,451	(\$9,505,038 /91 units)
Estimated per Unit Cost:	\$ 419,346	(\$38,160,523 /91 units)
Allocation per Unit:	\$ 234,471	(\$21,336,900 /91 units)
Allocation per Restricted Rental Unit:	\$ 234,471	(\$21,336,900 /91 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 the need to completely replace both the heating and domestic hot water systems. Currently both are served by a single boiler piping system for each building that provides both heat through fan coil units and domestic hot water, and the system experiences frequent failures. It is being replaced with one utilizing two separate sets of pipes so that the heating and domestic hot water will be separated. These new pipes must be routed through an attic space with very difficult access. The new system requires new boilers which must be located on the roof tops with structural support. The fan coil units themselves must also be rebuilt. In addition, the unit interiors are being completely rebuilt with new flooring, bathroom and kitchen cabinets and counter tops, plumbing and lighting fixtures, replacement of bathtubs with walk in showers, new appliances, etc. All windows and sliding glass doors are being replaced, a new roof is being installed a solar PV system is being added, and the existing solar thermal hot water system is being replaced. The community building is being reconfigured to improve usability and an addition is being built to provide more resident service space.

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 21,336,900	\$ 0
Taxable Bond Proceeds	\$ 0	\$ 9,594,400
LIH Tax Credit Equity	\$ 1,430,882	\$ 13,456,164
Direct & Indirect Public Funds	\$ 4,034,296	\$ 4,034,296
Other(accrued deferred interest)	\$ 345,330	\$ 345,330
Other(Income During Operations)	\$ 539,439	\$ 539,439
Other(General Partner Contribution)	\$ 299,766	\$ 3,049,766
Other(Seller Carry Back Loan)	\$ 7,832,719	\$ 7,141,129
Total Sources	<u>\$ 35,819,332</u>	<u>\$ 38,160,524</u>
Uses of Funds:		
Acquisition/Land Purchase	\$ 18,500,000	
Rehabilitation Costs	\$ 10,835,743	
Relocation	\$ 782,500	
Architectural	\$ 447,860	
Contingency Costs	\$ 1,484,814	
Construction Period Expenses	\$ 1,362,334	
Permanent Financing Expenses	\$ 30,000	
Legal Fees	\$ 276,900	
Capitalized Reserves	\$ 1,085,630	
Other	\$ 808,743	
Developer Fee	\$ 2,500,000	
Reports & Studies	\$ 46,000	
Total Uses	<u>\$ 38,160,524</u>	

Description of Financial Structure and Bond Issuance:

The proposed financial transaction is a private placement with Citi Community Capital. The construction loan in the amount of \$21,337,000 will be for a 24 month term plus one 6 month extension. The interest rate will be variable rate equal to 1 month LIBOR plus a spread of 2.0%. There will be no amortization for the construction phase since payments on the loan will be interest only. The permanent loan will be in the amount of \$9,595,000 with a 32 year term from the closing date. The amortization period will be for 35 years and the interest rate will be a fixed rate equal to the sum of 18 year LIBOR swaps plus a spread of 2.25%.

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: 64.5 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$21,336,900 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	7
Community Revitalization Area	15	15	0
Site Amenities	10	10	7.5
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	64.5

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.