Agenda Item No. 7.16
Application No. 15-322

**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: Brian Clark*

**Applicant:** California Municipal Finance Authority

**Allocation Amount Requested:**

| | |
|---|---|
| **Tax-exempt:** | $15,803,000 |

**Project Information:**

| | |
|---|---|
| **Name:** | **Park Lane Apartments** |
| **Project Address:** | 109 Magnolia Avenue |
| **Project City, County, Zip Code:** | Petaluma, Sonoma, 94952 |

**Project Sponsor Information:**

| | |
|---|---|
| **Name:** | Burbank Housing Development Corporation |
| **Principals:** | Charles A. Cornell, Jon M. Stark & Stuart W. Martin |
| **Property Management Company:** | Burbank Housing Management Corporation |

**Project Financing Information:**

| | |
|---|---|
| **Bond Counsel:** | Orrick, Herrington & Sutcliffe LLP |
| **Underwriter:** | Not Applicable |
| **Credit Enhancement Provider:** | Not Applicable |
| **Private Placement Purchaser:** | Citibank, NA |
| **TEFRA Adoption Date:** | December 1, 2014 |

**Description of Proposed Project:**

| | |
|---|---|
| **State Ceiling Pool:** | General |
| **Total Number of Units:** | 89, plus 1 manager unit |
| **Type:** | Acquisition and Rehabilitation |
| **Type of Units:** | Family |

The Project, constructed in 1973 and enlarged and renovated in 2001, is located on a 5.21 acre parcel in a mixed residential/commercial area of Petaluma. The Project consists of 13 two-story buildings housing 16 studio units, 41 one-bedroom units, 32 two-bedroom units (89 tenant units) and 2 one-bedroom managers' units. All tenant units will be income restricted: 18 at 50% AMI and 71 at 60% AMI. Unit amenities include carpeting/vinyl flooring, stove/oven, garbage disposal and refrigerator. Community amenities include an on-site leasing office, community center, fitness room, laundry room, playground, picnic area, and an outdoor basketball court. Unit renovations will include new faucets, showerheads, shower surrounds, toilets, lighting, refrigerators, stoves, windows, flooring, wall-mounted heating units, kitchen cabinets/counters, doors and lock sets. Exterior renovations include drought-resistant landscaping, increased lighting, new security cameras, new solar PV system, increased attic insulation, painting and replacement of siding and roofing. Rehabilitation is expected to begin in March 2015 and be completed within 15 months.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%

20% (18 units) restricted to 50% or less of area median income households.

80% (71 units) restricted to 60% or less of area median income households.

**Unit Mix:** Studio, 1 & 2 bedrooms

There are no service amenities.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

| | | | |
|---|---|---|---|
| **Estimated Total Development Cost:** | $ | 28,040,650 | |
| **Estimated Hard Costs per Unit:** | $ | 70,483 | ($6,272,996 /89 units) |
| **Estimated per Unit Cost:** | $ | 315,063 | ($28,040,650 /89 units) |
| **Allocation per Unit:** | $ | 177,562 | ($15,803,000 /89 units) |
| **Allocation per Restricted Rental Unit:** | $ | 177,562 | ($15,803,000 /89 restricted units) |

| **Sources of Funds:** | | Construction | | Permanent |
|---|---|---|---|---|
| Tax-Exempt Bond Proceeds | $ | 15,803,000 | $ | 8,431,000 |
| Seller Carryback Loan | $ | 8,384,442 | $ | 8,384,442 |
| Gen. Partner/Ltd. Partner Capital Contributions | $ | 100 | $ | 100 |
| LIH Tax Credit Equity | $ | 966,783 | $ | 9,667,826 |
| Deferred Developer Fee | $ | 1,672,271 | $ | 0 |
| Accrued/Deferred Interest | $ | 287,586 | $ | 287,586 |
| Project Reserves | $ | 926,468 | $ | 926,468 |
| Operating Income | $ | | $ | 343,228 |
| Total Sources | $ | 28,040,650 | $ | 28,040,650 |

| **Uses of Funds:** | | |
|---|---|---|
| Acquisition/Land Purchase | $ | 12,500,000 |
| Hard Construction Costs | $ | 6,272,996 |
| Architect & Engineering Fees | $ | 191,500 |
| Contractor Overhead & Profit | $ | 449,514 |
| Developer Fee | $ | 2,475,000 |
| Relocation | $ | 465,500 |
| Cost of Issuance | $ | 405,327 |
| Capitalized Interest | $ | 470,411 |
| Other Soft Costs (Marketing, etc.) | $ | 4,810,402 |
| Total Uses | $ | 28,040,650 |

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

The bonds will be purchased as a private placement transaction by Citibank, N.A. The construction phase will be for a period of 18 months, during which the construction loan will be interest-only at a monthly-adjustable variable rate equal to one month LIBOR plus a spread of 2.00%. Upon conversion to permanent phase, the bonds will be paid down to $8,431,000 using a combination of LIHTC equity and operating income. The permanent loan will bear interest at a fixed rate equal to the 18-year LIBOR Swap Rate plus a spread of 2.00%. The rate will be committed at the time of closing of the construction phase financing. The permanent loan will have a 32 year term and a 35 year amortization period. The permanent loan will be supported by the following revenue sources: Tranche A, totaling $3,125,000, supported by restricted rent NOI without HAP subsidy; Tranche B, totaling $5,306,000, supported by HAP rent increment.

**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:** 62.5 out of 130

[See Attachment A]

**Recommendation:**

Staff recommends that the Committee approve $15,803,000 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 | 30 |
| Exceeding Minimum Rent Restrictions<br><br>[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 | 7.5 |
| Service Amenities | 10 | 10 | 0 |
| New Construction | 10 | 10 | 0 |
| Sustainable Building Methods | 10 | 10 | 10 |
| Negative Points | -10 | -10 | 0 |
| **Total Points** | **130** | **100** | **62.5** |

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.