

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 15, 2015
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Devon King

Applicant: California Municipal Finance Authority

Allocation Amount Requested: **Tax-exempt:** \$20,300,000

Project Information:

Name: **Marcus Garvey Commons Apartments and Hismen Hin-Nu Apartments**
Project Address: 1769 Goss Street and 721 Wood Street (Garvey) 2501- 2555 International Blvd (Hismen)
Project City, County, Zip Code: Oakland, Alameda, 94601-94607

Project Sponsor Information:

Name: Hin Nu Garvey Associated, L.P. (Hin-Nu Garvey, LLC and East Bay Asian Local Development Corporation)
Principals: Emily Lin, Korin Crawford, Jim Govert, John Benson, and Joshua Simon for Hin Nu Garvey, LLC and East Bay Asian Local Development Corporation
Property Management Company: East Bay Asian Local Development Corporation

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. (Construction); California Community Reinvestment Corporation (Permanent)
TEFRA Adoption Date: December 11, 2014

Description of Proposed Project:

State Ceiling Pool: General
Total Number of Units: 111, plus 3 manager units
Type: Acquisition and Rehabilitation
Type of Units: Family

Marcus Garvey Commons Hismen Hin-Nu Apartments is a scattered site project consisting of two existing complexes. Marcus Garvey is an existing 22 unit project located in Oakland. Originally constructed in 1992, the structures and site are in need of significant rehabilitation to replace items that have exceeded their useful life. Marcus Garvey Common Apartments is situated on trapezoidal shaped, 0.74 acre, mostly level site made up of seven irregular shaped parcels. The projects unit types are 4 one-bedroom units, 7 two-bedroom units, 8 three-bedroom units, and 2 four-bedroom units with one manager's unit. Unit amenities include a leasing office, common area, laundry room, community room with kitchen and restroom. Some repairs to the units will be insulating windows, replacing water heaters, installing energy conserving fixtures, and making the property ADA compliant. The rehabilitation is scheduled to being in November 2015 and be completed in September of 2016. Hismen Hin-Nu Terrace apartments is an existing 92 unit project located in Oakland, built in 1995. The development sits on an L-shaped 1.6 acre site. The projects unit mix is 16 one-bedroom units, 35 two-bedroom units, 29 three-bedroom units, and 10 four-bedroom units with a total of two managers unit's. Unit amenities include ceramic tile, vinyl tiles, or sheet vinyl at entries, kitchens, and bathrooms and carpet over pad in all other living areas. Appliances include electric or gas fired oven's, dishwashers, and garbage disposal. The developers plan to replace existing hot water boilers with higher energy efficiency boilers, upgrade electrical fixtures, and repair the elevators as well as make the building ADA compliant. Construction is scheduled to begin in November 2015, and be completed by December of 2016.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
38% (42 units) restricted to 50% or less of area median income households.
62% (69 units) restricted to 60% or less of area median income households.
Unit Mix: 1, 2, 3 & 4 bedrooms

A bona fide service coordinator/social worker will be provided at the Hismen Hin-Nu Apartments for at least 14.4 service hours per week.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 34,871,547	
Estimated Hard Costs per Unit:	\$ 99,666	(\$11,062,934 /111 units)
Estimated per Unit Cost:	\$ 314,158	(\$34,871,547 /111 units)
Allocation per Unit:	\$ 182,883	(\$20,300,000 /111 units)
Allocation per Restricted Rental Unit:	\$ 182,883	(\$20,300,000 /111 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 20,300,000	\$ 2,754,000
Existing Reserves	\$ 0	\$ 564,847
Deferred Developer Fee	\$ 0	\$ 586,400
Developer Equity	\$ 0	\$ 477,278
LIH Tax Credit Equity	\$ 962,309	\$ 13,747,269
Direct & Indirect Public Funds	\$ 11,356,636	\$ 12,090,636
Other(AHP Loan)	\$ 0	\$ 1,110,000
Other(Sponsor Loan)	\$ 0	\$ 2,480,000
Other(Income from Operations)	\$ 0	\$ 92,539
Other(Seller Take Back Loan)	\$ 968,578	\$ 968,578
Total Sources	\$ 33,587,523	\$ 34,871,547

Uses of Funds:	
Acquisition/Land Purchase	\$ 15,615,000
On & Off Site Costs	\$ 4,025,338
Hard Construction Costs	\$ 7,037,596
Architect & Engineering Fees	\$ 703,885
Contractor Overhead & Profit	\$ 714,557
Developer Fee	\$ 2,500,000
Relocation	\$ 1,220,800
Cost of Issuance	\$ 414,070
Construction and Permanent Financing	\$ 636,899
Legal Fees	\$ 121,000
Reserves	\$ 469,141
Construction Contingency	\$ 588,298
Other Soft Costs (Marketing, Third Party Reports, Furnishings.)	\$ 824,963
Total Uses	\$ 34,871,547

Description of Financial Structure and Bond Issuance:

The proposed financial structure is a private placement bond purchase by Wells Fargo Bank, N.A. (Construction) and California Community Reinvestment Corporation (Permanent). The construction period term shall be for 19 months with two additional 3 month options being offered. During the construction period, loan payments will be interest only. The Loan shall bear interest at a rate per annum (computed on the basis of a 360 day year) equal to one and fifty hundredths percent (1.50%) above the lender's quoted one month LIBOR Rate. This will be a variable rate that will reset on the first day of each month. The permanent period term shall be for 18 years with a 30 year amortization schedule. The loan will bear interest at a fixed rate that will be set pursuant to a 24 month forward commitment/ rate lock which is equal to the greatest of the 15 year muni bond index plus 200 bps or 5.50% fixed for 15 years. The indicative rate is 5.50%.

Analyst Comments:

The proposed project is a scattered site project consisting of two complexes located within 0.8 miles of each other. The unit break down, and unit mix as well as the financial structure represents both projects combined. It is important to note that points are accumulated for a scattered site project based on the projects pro-rata share.

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: 69.6 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$20,300,000 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	5
Leveraging	10	10	0.5
Community Revitalization Area	15	15	0
Site Amenities	10	10	10
Service Amenities	10	10	4.1
New Construction	10	10	0
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
Total Points	130	100	69.6