

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: Sarah Lester

Applicant: California Municipal Finance Authority

Allocation Amount Requested:

Tax-exempt: \$4,480,000

Project Information:

Name: The Lodge at Eureka Apartments
Project Address: 428 8th Street
Project City, County, Zip Code: Eureka, Humboldt, 95501

Project Sponsor Information:

Name: Eureka 8th Street, LP (Johnson & Johnson Investments, LLC; and Community Revitalization Development Corporation)
Principals: Daniel J. Johnson and Kendra L. Johnson for Johnson & Johnson Investments LLC; John Wilson, Fred Quigley, Bert Meyer, John Sharrah, Kenny Breedlove and David Rutledge for Community Revitalization Development Corporation
Property Management Company: Danco Property Management

Project Financing Information:

Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Private Placement Purchaser: Citibank, N.A.
TEFRA Adopted Date: June 2, 2015

Description of Proposed Project:

State Ceiling Pool: General
Total Number of Units: 49, plus 1 manager unit
Type: New Construction (Adaptive Reuse)
Type of Units: Senior Citizens

The proposed project is a new construction 50-unit affordable housing project for seniors in Eureka, California and will consist of the rehabilitation of the Eureka Downtowner Motel. The abandoned motel on the site will be rehabilitated into the 50 units. The remainder of the site was used as a parking lot and is paved. The site presently consists in two rectangular buildings. They will be conjoined to form one building by a two-story addition between them. There will also be three other two-story additions to the building to increase living space. The new L-shaped building will have indoor and outdoor common spaces at the center of the property. There will be 8 studio apartments, 36 one-bedroom units, 5 two-bedroom units, and 1 three-bedroom unit (manager's unit). The 50 units that will be created with this rehabilitation will be seismically retrofitted and will have improved accessibility. The two existing buildings will be conjoined with a two-story addition and a central elevator will be installed. A storage unit will also be added with a space corresponding to each unit. There will be 51 parking spaces available, 4 of which are handicapped accessible. There are three common laundry rooms in the complex containing 8 washer/dryer pairs. The scope of rehabilitation consists of on-site improvements such as repaving, fencing, new lighting, new landscaping and signage, new trash enclosure & site utility connections. Buildings will be upgraded to meet current structural codes for seismic and wind resistance. The exterior will be changed to a HardiBoard product and painted in accordance with the architectural drawings and specifications. The existing buildings have concrete slab on grade foundations. These will be retained and modified to accommodate the new structural system on the drawings. Also areas of the slab will be removed to allow for the elevator equipment and other systems as needed. Roofing will be composition shingle. A fire alarm/suppression system will be added. An elevator will be added. There will be a central electrical switchgear room with individual electric meters for each unit. Mechanical and plumbing systems will be installed as per drawings. Each unit will have a complete kitchen, bathroom and hot water heater.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
69% (34 units) restricted to 50% or less of area median income households.
31% (15 units) restricted to 60% or less of area median income households.
Unit Mix: Studio, 1 & 2 bedrooms

No service amenities will be included in the project.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	8,215,396	
Estimated Hard Costs per Unit:	\$	75,600	(\$3,704,395 /49 units)
Estimated per Unit Cost:	\$	167,661	(\$8,215,396 /49 units)
Allocation per Unit:	\$	91,429	(\$4,480,000 /49 units)
Allocation per Restricted Rental Unit:	\$	91,429	(\$4,480,000 /49 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 4,480,000	\$ 710,000
Deferred Developer Fee	\$ 0	\$ 62,739
LIH Tax Credit Equity	\$ 441,399	\$ 2,942,657
Direct & Indirect Public Funds	\$ 3,293,997	\$ 4,500,000
Total Sources	\$ 8,215,396	\$ 8,215,396

Uses of Funds:	
Acquisition/Land Purchase	\$ 1,500,000
On & Off Site Costs	\$ 100,000
Hard Construction Costs	\$ 3,604,395
Architect & Engineering Fees	\$ 250,000
Contractor Overhead & Profit	\$ 356,191
Developer Fee	\$ 956,514
Cost of Issuance	\$ 277,200
Legal Fees	\$ 100,000
Construction & Permanent Financing	\$ 429,000
Contingency Cost	\$ 37,133
Reserves	\$ 130,000
Other Soft Costs (Third Party Reports, Furnishing, Marketing, etc.)	\$ 474,963
Total Uses	\$ 8,215,396

Description of Financial Structure and Bond Issuance:

The financial structure for the proposed project will be a private placement transaction provided by Citibank, N.A. (the "Bank") for both construction and permanent financing. During the construction phase, the loan term will be for 18 months, plus one 6-month extension. The interest rate will be a rate equal to the SIFMA Municipal Swap Index plus a spread of 4.00%. During the permanent financing phase, the loan term and amortization period will both be for 20 years. The interest rate will be a fixed rate equal to the sum of 22 year maturity "AAA" bond rates as published by Thompson Municipal Market Monitor plus a spread of 2.20%. The bonds will be issued by the California Municipal Finance Authority.

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:

67.5 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$4,480,000 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	7.5
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	67.5

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.