

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
September 16, 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: \$7,200,000

Es

Project Information:
Name: Esperanza Crossing II Apartments
Project Address: 16797 County Road 87
Project City, County, Zip Code: Esparto, Yolo, 95627

Project Sponsor Information:
Name: Mercy Housing California (Mercy Housing Calwest)
Principals: Doug Shoemaker, Valerie Agostino, Stephan Daues, Jane Graf, Barbara Gualco, Ben Phillips, Steve Spears, Melissa Clayton, Ed Holder, Sheela Jivan, Bruce Saab, Jennifer Dolin, Vince Dodds, Joe Rosenblum for Mercy Housing Calwest
Property Management Company: Mercy Housing Management Group

Project Financing Information:
Bond Counsel: Jones Hall, A Professional Law Corporation
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, N.A.
TEFRA Adoption Date: July 28, 2015

Description of Proposed Project:
State Ceiling Pool: Rural
Total Number of Units: 39, plus 1 manager unit
Type: New Construction
Type of Units: Family

The proposed project, Esparto Family Apartments Phase II (aka Esperanza Crossing II), will be a newly constructed multifamily affordable housing development located at the Northeast and Northwest corners of the intersection of Woodland Avenue and Winters Street, directly adjacent to the east of Phase I, in the community of Esparto in Yolo County. The site is approximately 2.54 acres and is generally flat. The project will consist of four residential buildings: one 2-story, 8 unit building; two 2-story, 10 unit buildings; and one 2-story, 12 unit building and will include a mix of one to three bedroom apartment flats with rents affordable to families making less than 60% AMI. Continuing in the tradition of Phase I, this development will provide the most current energy efficient design features. Additionally, the development will include resource conserving features such as drip irrigation and drought tolerant landscaping. The apartment community is designed with family amenities, including picnic and play areas. The proposed unit mix for Esperanza Crossing, Phase II is 8 one-bedroom units, 20 two-bedroom units, and 11 three-bedroom units. Unit amenities will consist of independent thematically controlled central heating and cooling in each unit, strong ventilation and fresh air circulation, ample storage in all units, energy star refrigerator, gas range, garbage disposal, and energy star dishwasher. Water, sewer and trash services will be paid by management. All buildings will be stucco and hardi-plank siding with brick or rock accents. The buildings will be slab-on-grade. Roofing will be composition shingle or raised seem metal cladding. All ground floor units will either be fully accessible or adaptable in accordance with applicable government codes. The project is expected to start in March 2016 and finish construction by May 2017. Lease up is expected to take two to three months, after which the project will convert to permanent financing.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
87% (34 units) restricted to 50% or less of area median income households.
13% (5 units) restricted to 60% or less of area median income households.
Unit Mix: 1, 2 & 3 bedrooms

The proposed project will provide resident services. The services will come in the form of an on-site resident services coordinator for 0.14 hours per year and an afterschool program overseen by the resident services coordinator but staffed by Mercy Housing Volunteers for at least 10 hrs/week.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 11,629,707	
Estimated Hard Costs per Unit:	\$ 161,368	(\$6,293,366 /39 units)
Estimated per Unit Cost:	\$ 298,198	(\$11,629,707 /39 units)
Allocation per Unit:	\$ 184,615	(\$7,200,000 /39 units)
Allocation per Restricted Rental Unit:	\$ 184,615	(\$7,200,000 /39 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 7,200,000	\$ 1,308,700
Deferred Developer Fee	\$ 0	\$ 260,000
LIH Tax Credit Equity	\$ 500,000	\$ 4,893,649
Direct & Indirect Public Funds	\$ 3,300,000	\$ 4,800,000
Other (Developer Equity)	\$ 0	\$ 367,358
Total Sources	\$ 11,000,000	\$ 11,629,707

Uses of Funds:	
Acquisition/Land Purchase	\$ 332,000
On & Off Site Costs	\$ 1,085,402
Hard Construction Costs	\$ 5,207,964
Architect & Engineering Fees	\$ 430,602
Contractor Overhead & Profit	\$ 718,711
Reserves	\$ 144,174
Developer Fee	\$ 1,387,709
Impact Fees	\$ 976,903
Legal Fees	\$ 75,500
Cost of Issuance	\$ 232,387
Construction and Permanent Financing	\$ 402,393
Other Soft Costs (Marketing, etc.)	\$ 635,962
Total Uses	\$ 11,629,707

Description of Financial Structure and Bond Issuance:

The proposed financial structure of the bond issuance by Citibank, N.A. During the construction financing phase the loan term will be for 18 months with a variable) interest rate of 1 month Libor plus a spread of 2.25% . The permanent financing phase will have two separate Tranches, A and B. The loan term for Tranche A will be for 32 years with an amortization period of 35 years at a fixed rate of 12 year LIBOR plus a spread of 2.50%. The loan term for Tranche B will be for 10 years with an amortization period of 10 years and will have a fixed rate equal to the sum of 12 year LIBOR swap rates plus a spread of 2.50% There was no underwritten rate provided.

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:

85 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$7,200,000 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	5
Service Amenities	10	10	10
New Construction	10	10	10
Sustainable Building Methods	10	10	10
Negative Points	-10	-10	0
Total Points	130	100	85

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.