

**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: Brian Clark*

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**Applicant:** County of Contra Costa

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**Allocation Amount Requested:**  
**Tax-exempt:** \$7,100,000

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**Project Information:**  
**Name:** The Oaks Apartments  
**Project Address:** 3073 North Main Street  
**Project City, County, Zip Code:** Walnut Creek, Contra Costa, 94597

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**Project Sponsor Information:**  
**Name:** Oaks II LP (Oaks EAH, LLC)  
**Principals:** Alvin Bonnett, Laura Hall and Mary Murtagh for Oaks EAH, LLC  
**Property Management Company:** EAH Inc.

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**Project Financing Information:**  
**Bond Counsel:** Quint & Thimmig LLP  
**Underwriter:** Not Applicable  
**Credit Enhancement Provider:** Not Applicable  
**Private Placement Purchaser:** Citibank, NA  
**TEFRA Adoption Date:** June 9, 2015

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 35, plus 1 manager unit  
**Type:** Acquisition and Rehabilitation  
**Type of Units:** Family

The Project, constructed in 1995, is located on a 1.04 acre parcel in Walnut Creek. The Project, consisting of 2 two-story buildings with tuck-under parking, houses 35 tenant units (22 two-bedroom units, 11 three-bedroom units and 2 four-bedroom units) and a single three-bedroom manager's unit. All units will be income restricted, 8 units at 50% Area Median Income ("AMI") and 27 units at 60% AMI. Unit amenities include refrigerator, dishwasher, garbage disposal, range/oven, carpeting, blinds, central heat/AC, coat closet and patio/balcony with storage area. Community amenities include a laundry facility, picnic area, playground, basketball court, courtyard, on-site management, surveillance system and a community room with kitchen, television and internet access. Unit renovations will include new HVAC system, smoke/CO2 detectors, water heater; as-needed replacement of cabinets, countertops, flooring, paint, plumbing fixtures, doors, hardware and appliances; as-needed repair of patios/balconies and ADA accessibility conversion of some units. Exterior renovations will include roof replacement, seismic improvements, water damage repair, new lighting, upgrading of fire alarm and emergency lighting systems, parking lot restriping, ADA accessibility, drought tolerant landscaping and improvements to common areas and amenities. Rehabilitation is expected to begin January 2016 and be completed in September 2016.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%  
23% (8 units) restricted to 50% or less of area median income households.  
77% (27 units) restricted to 60% or less of area median income households.  
**Unit Mix:** 2, 3 & 4 bedrooms

There will be no service amenities.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

<b>Estimated Total Development Cost:</b>	\$	12,028,043	
<b>Estimated Hard Costs per Unit:</b>	\$	92,669	(\$3,243,405 /35 units)
<b>Estimated per Unit Cost:</b>	\$	343,658	(\$12,028,043 /35 units)
<b>Allocation per Unit:</b>	\$	202,857	(\$7,100,000 /35 units)
<b>Allocation per Restricted Rental Unit:</b>	\$	202,857	(\$7,100,000 /35 restricted units)

<b>Sources of Funds:</b>	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 7,100,000	\$ 2,974,800
Citibank Subordinate Loan	\$ 0	\$ 540,000
Seller Carryback Loan	\$ 2,754,569	\$ 2,830,044
Project Reserves -Sponsor Loan	\$ 101,089	\$ 101,089
Deferred Developer Fee	\$ 0	\$ 360,083
GP Equity	\$ 0	\$ 448
LIH Tax Credit Equity	\$ 900,000	\$ 4,480,210
Direct & Indirect Public Funds	\$ 612,567	\$ 612,567
Operating Income	\$ 128,802	\$ 128,802
<b>Total Sources</b>	<b>\$ 11,597,027</b>	<b>\$ 12,028,043</b>

<b>Uses of Funds:</b>	
Acquisition/Land Purchase	\$ 5,278,369
On & Off Site Costs	\$ 301,800
Hard Construction Costs	\$ 2,941,605
Architect & Engineering Fees	\$ 472,925
Contractor Overhead & Profit	\$ 383,317
Developer Fee	\$ 1,452,562
Relocation	\$ 30,000
Cost of Issuance	\$ 227,648
Reserves	\$ 191,328
Construction & Permanent Financing	\$ 324,596
Legal	\$ 55,500
Other Soft Costs (Marketing, etc.)	\$ 368,393
<b>Total Uses</b>	<b>\$ 12,028,043</b>

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

The bonds will be purchased as a private placement transaction by Citibank, NA. During the construction financing phase the loan term will be for 18 months with a variable interest rate equal to equal to 1 month LIBOR plus a spread of 2.00%. During the permanent financing phase, the loan term will be for 32 years with an amortization period of 35 years at a fixed interest rate equal to the sum of 18 year LIBOR swap rates plus a spread of 2.15%. There was no underwritten rate provided.

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**Analyst Comments:**

Not Applicable

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**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.

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**Total Points:** 70.5 out of 130  
[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$7,100,000 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	31
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	9
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	3
Negative Points	-10	-10	0
<b>Total Points</b>	<b>130</b>	<b>100</b>	<b>70.5</b>

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.