

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
October 21, 2015
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Sarah Lester

Applicant: City of Hayward

Allocation Amount Requested:
Tax-exempt: \$27,525,000

Project Information:
Name: **Hayward Four Apartments**
Project Address: 742 Harris is located at 742 Harris Court; Cypress Glen is located at 25100 Cypress Avenue; Harris Court is located at 734, 735, 743, 751, & 751 Harris Court and Huntwood Commons is located at 27901 Huntwood Avenue
Project City, County, Zip Code: Hayward, Alameda, 94544

Project Sponsor Information:
Name: CHHP, LP (CHHP, LLC [Eden Investments, Inc.])
Principals: John Gaffney, Timothy Silva, Janet Lockhart, Jim Kennedy, Linda Mandolini and Jan Peters
Property Management Company: Eden Housing Management, Inc.

Project Financing Information:
Bond Counsel: Jones Hall, A Professional Law Corporation
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: JP Morgan Chase Bank, N.A.
TEFRA Adopted Date: July 21, 2015

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 115, plus 3 manager units
Type: Acquisition and Rehabilitation
Type of Units: Family

The Hayward Four scattered-site 4% Federal tax credit and tax-exempt bond project comprises four sites located in close proximity to each other in Hayward. All four projects are located in primarily residential neighborhoods characterized by single-family housing and low-rise apartment buildings. This project is an acquisition-rehabilitation of existing, occupied buildings. The aggregate total number of units is 118 units, of which 110 will be restricted to households with incomes no greater than 60% of the Area Median Income. There will be five (5) market rate units and three (3) manager units. The 742 Harris Court and Harris Court Apartments are contiguous and consists of six (s) buildings. Both properties are comprised of a total of six (6) two-story wood-framed fourplexes that are very similar in design and construction. Cypress Glen is comprised of two- and three-story wood-framed buildings and consists of three buildings. Huntwood Commons is comprised of two-story wood-framed buildings and consists of six buildings, including a small detached management office. The scope of rehabilitation will include restoring the integrity of the roofs, envelopes, and windows; updating mechanical, electrical, and plumbing systems; enhancing mobility and access; modifying buildings and systems to be in conformance with changes to the building code; as budget allows, making improvements to common areas and unit interiors; and, as budget allows, “greening” and “blueing” the properties with energy and water efficiency improvements and solar energy technology. The project is expected to be completed by 2017.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 96%

37% (43 units) restricted to 50% or less of area median income households.

58% (67 units) restricted to 60% or less of area median income households.

Unit Mix: 1, 2 & 3 bedrooms

There will be no service amenities provided for this project.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 45,002,345	
Estimated Hard Costs per Unit:	\$ 98,690	(\$11,349,299 /115 units)
Estimated per Unit Cost:	\$ 391,325	(\$45,002,345 /115 units)
Allocation per Unit:	\$ 239,348	(\$27,525,000 /115 units)
Allocation per Restricted Rental Unit:	\$ 239,348	(\$27,525,000 /110 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 27,525,000	\$ 4,988,000
Taxable Bond Proceeds	\$	\$
Developer Equity	\$ 1,210,415	\$ 2,147,043
Deferred Developer Fee	\$ 763,372	\$ 763,372
LIH Tax Credit Equity	\$ 1,773,581	\$ 17,143,870
Seller Carryback Loan	\$ 7,816,631	\$ 7,816,631
Direct & Indirect Public Funds	\$ 5,396,215	\$ 6,396,215
Other (Marketing, etc.)	\$ 517,131	\$ 5,747,214
Total Sources	\$ 45,002,345	\$ 45,002,345

Uses of Funds:	
Acquisition/Land Purchase	\$ 22,735,000
On & Off Site Costs	\$ 569,800
Hard Construction Costs	\$ 10,779,499
Architect & Engineering Fees	\$ 1,195,150
Contractor Overhead & Profit	\$ 909,902
Developer Fee	\$ 2,500,000
Relocation	\$ 123,500
Cost of Issuance	\$ 470,784
Capitalized Interest	\$ 1,269,415
Legal Fees	\$ 53,000
Construction & Permanent Financing	\$ 1,217,240
Contingency Cost	\$ 1,870,564
Reserves	\$ 604,705
Other Soft Costs (Third Party Reports, Furnishing, Marketing, etc.)	\$ 703,786
Total Uses	\$ 45,002,345

Description of Financial Structure and Bond Issuance:

The financial structure for the proposed project will be a private placement transaction provided by JP Morgan Chase Bank, N.A. (the "Bank") for both construction and permanent financing. During the construction phase, the loan term will be for 18 months . The interest rate will be a fixed rate equal to the sum of the LIBOR + 145 bps with two conditional 6-month extension options. During the permanent financing phase, the loan term will be for 18 years with an amortization period of 35 years. The interest rate will be a fixed rate equal to the sum of the 10-year interest rate swap plus a spread of 2.00%. The indicative all-in-rate would be 5.53%. The bonds will be issued by the City of Hayward.

Analyst Comments:

Some temporary relocation is anticipated, as described in the relocation plan that was prepared and would be implemented by a professional third-party relocation consultation. Temporary relocation of up to 7 households out of 118 is anticipated, in order to make mobility improvements to selected units. No permanent displacement is anticipated for this scattered-site project.

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: 66.8 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$27,525,000 in tax exempt bond allocation on a carryforward basis.

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	0
Leveraging	10	10	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	6.8
Service Amenities	10	10	0
New Construction	10	10	0
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
Total Points	130	100	66.8

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.