

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**December 16, 2015**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Devon King*

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**Applicant:** California Housing Finance Agency

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**Allocation Amount Requested:**  
**Tax-exempt:** \$61,600,000

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**Project Information:**  
**Name:** Morh I Housing Apartments  
**Project Address:** 741 Filbert Street  
**Project City, County, Zip Code:** Oakland, Alameda, 94607

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**Project Sponsor Information:**  
**Name:** Morh Community Partners, L.P. (FFAH Morh, LLC and Morh GP, LLC)  
**Principals:** Thomas E. Willard for FFAH Morh, LLC Anand Kannan, Matthew Finkle, David Pearson, and Michael Antonik for Morh GP, LLC  
**Property Management Company:** Related Management Company, L.P.

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**Project Financing Information:**  
**Bond Counsel:** Orrick, Herrington & Sutcliffe LLP  
**Underwriter:** Not Applicable  
**Credit Enhancement Provider:** Not Applicable  
**Private Placement Purchaser:** Citibank N.A.  
**TEFRA Adoption Date:** November 16, 2015

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 125, plus 1 manager unit  
**Type:** Acquisition and Rehabilitation  
**Type of Units:** Family

The Project consists of approximately 27 2-story, townhome style buildings with a total of 126 apartment units that consists of 56 three-bedroom units, 70 four-bedroom units (including one manager's unit). All of the subject's units are covered under an existing HAP contract and a restricted use agreement. A transfer of the property is planned and all of the units will continue to be LIHTC-restricted to family households with income levels at or below 60 percent AMI levels. The four-bedroom unit will remain a manager's unit and the property will continue to benefit from the Section 8 subsidy. The Project includes surface parking as well as a picnic area and intermittent perimeter fencing. Amenities include a community room with a lounge area, a basketball court, and laundry facilities. The Project is currently 100 percent occupied and 100 percent leased, and maintains a waiting list of approximately 2 year and a half. Unit Amenities include 3 and 4 bedroom townhome units, spacious enclosed ground floor patios, ample closet and storage space, dishwasher and disposal in all units. The rehabilitation program will address health and safety issues, ADA, deferred maintenance, and energy efficiency when possible. Currently, the Developer is planning on replacing all countertops and cabinetry in units, replacing the windows, painting the kitchen and baths, adding fencing, addressing parking lot deferred maintenance, and replacing and upgrading building systems as necessary. Construction is scheduled to Start in February 2016 and be completed by August 2016.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%  
100% (125 units) restricted to 50% or less of area median income households.  
**Unit Mix:** 3 & 4 bedrooms

The proposed project will not be providing service amenities.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

<b>Estimated Total Development Cost:</b>	\$ 84,026,051	
<b>Estimated Hard Costs per Unit:</b>	\$ 52,358	(\$6,544,716 /125 units)
<b>Estimated per Unit Cost:</b>	\$ 672,208	(\$84,026,051 /125 units)
<b>Allocation per Unit:</b>	\$ 492,800	(\$61,600,000 /125 units)
<b>Allocation per Restricted Rental Unit:</b>	\$ 492,800	(\$61,600,000 /125 restricted units)

<b>Sources of Funds:</b>	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 61,600,000	\$ 51,600,000
LIH Tax Credit Equity	\$ 16,023,796	\$ 27,197,013
Other(Capitalized Interest)	\$ 3,902,255	\$ 3,902,255
Developer Equity	\$ 2,500,000	\$ 1,326,783
<b>Total Sources</b>	<b>\$ 84,026,051</b>	<b>\$ 84,026,051</b>

<b>Uses of Funds:</b>	
Acquisition/Land Purchase	\$ 59,000,000
Hard Construction Costs	\$ 6,544,716
Architect & Engineering Fees	\$ 150,000
Contractor Overhead & Profit	\$ 916,260
Developer Fee	\$ 2,500,000
Legal Fees	\$ 300,000
Relocation	\$ 630,000
Cost of Issuance	\$ 380,755
Operating Reserve	\$ 6,293,550
Construction and Permanent Financing	\$ 5,963,340
Other Soft Costs (Marketing, etc.)	\$ 1,347,430
<b>Total Uses</b>	<b>\$ 84,026,051</b>

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

The proposed financial structure will be a private placement bond transaction provided in two separate tranches, (Tranche A for construction to permanent financing and Tranche B for additional construction financing) by Citibank N.A. During the construction financing phase the loan term will be for 24 months for both Tranche A and B; however, Tranche A will have a fixed interest rate estimated to be 4.65% at the time of the commitment. Tranche B will carry a interest rate estimated to be 3.00% at the time of the commitment. During the permanent financing phase, the loan term will be for 30 years with an amortization period of 35 years at a fixed rate of interest equal to the Tranche A interest rate. 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:** 62.5 out of 130  
[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$61,600,000 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	5
Leveraging	10	10	0
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	0
Negative Points	-10	-10	0
<b>Total Points</b>	<b>130</b>	<b>100</b>	<b>62.5</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.