

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 16, 2016
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: \$7,000,000

Project Information:
Name: Walnut Place Apartments
Project Address: 600 A Street
Project City, County, Zip Code: Point Reyes, Marin, 94956

Project Sponsor Information:
Name: Walnut Place EAH, L.P. (Walnut Place EAH, LLC)
Principals: Father Thomas Devereaux, Alvin Bonnett, Ethan Daniels, Jerry Webster, Lynn Berard for Walnut Place EAH, LLC
Property Management Company: EAH Inc. (EAH Housing)

Project Financing Information:
Bond Counsel: Jones Hall, A Professional Law Corporation
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Union Bank N.A.
TEFRA Noticing Date: January 7, 2016
TEFRA Adoption Date: January 26, 2016

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 24, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Senior Citizens

Walnut Place is located on 1.47 acres on A Street in Point Reyes Station, an unincorporated area in western Marin County and the entrance to the Point Reyes National Seashore. The improvements were completed in 1986. There are 24 rental units with the remaining unit is reserved for the on-site manager. The building is a two story wood framed apartment building on a concrete slab with wood siding and composition shingle roof. A solar photovoltaic panels are on a portion of the roof, which provides electricity for the benefit of both the common areas and the residents' units. The unit mix consists of the following: The units are interior accessed with two exterior stairways and an elevator providing service to the second floor. The units have electric baseboard heating, electric stoves, and refrigerators. Two units have been designated handicapped accessible and contain dishwashers. All hot water is provided through a central hot water system. Project amenities include a manager's office, elevator, laundry room, individual storage lockers for residents, front and rear patios, two decks on the second floor, a community garden and on-site parking for 13 cars. The proposed rehab scopes will upgrade major building systems that have become obsolete, reducing operating and maintenance expenses as well as improving energy efficiency. Sustainable features will be incorporated into the rehabilitation program, including selection of construction materials, waste disposal/recycling, air quality management and energy usage. Improvements to the units and common areas will benefit the residents in terms of safety, functionality and comfort. Energy efficiency and sustainability upgrades are targeted to help reduce residents' utility bills and to conserve water. Construction is scheduled to begin in 2016 with an expected end date of in February 2017.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (24 units) restricted to 50% or less of area median income households.
Unit Mix: Studio & 1 bedroom

The proposed project will be providing a bonafide service coordinator but will not receive points.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	13,171,372	
Estimated Hard Costs per Unit:	\$	117,892	(\$2,829,410 /24 units)
Estimated per Unit Cost:	\$	548,807	(\$13,171,372 /24 units)
Allocation per Unit:	\$	291,667	(\$7,000,000 /24 units)
Allocation per Restricted Rental Unit:	\$	291,667	(\$7,000,000 /24 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 7,000,000	\$ 2,167,000
Seller Carryback	\$ 3,518,217	\$ 3,518,217
LIH Tax Credit Equity	\$ 398,790	\$ 4,932,901
Deferred Developer Fee	\$ 730,581	\$ 730,581
Withdrawal from Project Reserves	\$ 127,481	\$ 127,481
Sponsor Loan	\$ 0	\$ 1,322,000
Income from Operations	\$ 0	\$ 53,706
Accrued/ Deferred Interest	\$ 139,790	\$ 139,790
Public Funds Sources(County of Marin /HOME Funds	\$ 179,696	\$ 179,696
Total Sources	\$ 12,094,555	\$ 13,171,372

Uses of Funds:	
Land Cost/Acquisition	\$ 5,414,924
Rehabilitation	\$ 3,417,003
New Construction	\$ 492,164
Architectural Fees	\$ 422,401
Permanent Financing	\$ 37,835
Legal Fees	\$ 153,000
Reserves	\$ 253,892
Contingency Costs	\$ 785,501
Appraisal	\$ 22,200
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 601,995
Developer Costs	\$ 1,570,457
Total Uses	\$ 13,171,372

Description of Financial Structure and Bond Issuance:

The proposed financial structure will be a private placement transaction by Citibank N.A. During the construction financing phase the loan term will be for 14 months with a variable interest rate of 65% of the 30 day LIBOR plus 1.65%. During the permanent financing phase, the loan term will be for 15 years with an amortization period of 35 years at a fixed rate of 5.54%.

Analyst Comments:

None

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: 73.5 out of 140

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$7,000,000 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
Preservation Project	20	20	10
Exceeding Minimum Income Restrictions:	35	15	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	0
Gross Rents	5	5	5
Large Family Units	5	5	0
Leveraging	10	10	1.5
Community Revitalization Area	5	5	0
Site Amenities	10	10	5
Service Amenities	10	10	5
New Construction or Substantial Renovation	10	10	10
Sustainable Building Methods	10	10	2
Forgone Eligible Developer Fee (Competitive Allocation Process Only)	10	10	0
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	0
Negative Points (No Maximum)	-10	-10	0
Total Points	140	110	73.5

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.