

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: Brian Clark

Applicant: California Municipal Finance Authority

Allocation Amount Requested:
Tax-exempt: \$32,726,000

Project Information:
Name: Saint Mary Tower Apartments
Project Address: 1120 Atlantic Avenue
Project City, County, Zip Code: Long Beach, Los Angeles, 90813

Project Sponsor Information:
Name: Mercy Housing California 71, LP (St. Mary Tower, LLC)
Principals: Barbara Gualco, Doug Shoemaker, Joe Rosenblum, Vince Dodds and Amy Bayley for St. Mary Tower, LLC
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, NA
TEFRA Noticing Date: January 11, 2016
TEFRA Adoption Date: February 2, 2016

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 146, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Senior Citizens

The Project, constructed in 1986, is located on a 1.05 acre site in Long Beach. The Project, consisting of a single 13-story building and 70 interior parking spaces, houses 146 tenant units (37 studio units and 109 one-bedroom units). Unit amenities include central heat/AC, carpeting, refrigerator, stove/oven and garbage disposal. Community amenities include a fitness center, community room, clubhouse and laundry facility. Renovations will include painting; landscaping; new windows, plumbing fixtures, parking lot pole light heads and Energy Star interior light fixtures and upgrades to the fire protection system, plumbing systems, electrical systems, office, community room, lobby, and elevator equipment room. Rehabilitation is expected to begin in June 2016 and be completed in June 2017.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

21% (31 units) restricted to 50% or less of area median income households.

79% (115 units) restricted to 60% or less of area median income households.

Unit Mix: Studio & 1 bedroom

The proposed project will not be providing service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

| | | |
|---|---------------|--------------------------------------|
| Estimated Total Development Cost: | \$ 46,170,973 | |
| Estimated Hard Costs per Unit: | \$ 33,993 | (\$4,962,925 /146 units) |
| Estimated per Unit Cost: | \$ 316,240 | (\$46,170,973 /146 units) |
| Allocation per Unit: | \$ 224,151 | (\$32,726,000 /146 units) |
| Allocation per Restricted Rental Unit: | \$ 224,151 | (\$32,726,000 /146 restricted units) |

| Sources of Funds: | Construction | Permanent |
|--------------------------|----------------------|----------------------|
| Tax-Exempt Bond Proceeds | \$ 32,726,000 | \$ 20,346,000 |
| Seller Carryback Loan | \$ 7,024,456 | \$ 7,024,456 |
| LIH Tax Credit Equity | \$ 1,196,208 | \$ 15,849,138 |
| Deferred Developer Fee | \$ 2,337,279 | \$ 2,337,279 |
| Operating Income | \$ 614,000 | \$ 614,000 |
| Deferred Costs | \$ 2,272,930 | \$ 0 |
| General Partner Equity | \$ 100 | \$ 100 |
| Total Sources | \$ 46,170,973 | \$ 46,170,973 |

| Uses of Funds: | |
|---|----------------------|
| Land Cost/Acquisition | \$ 28,700,000 |
| Rehabilitation Costs | \$ 5,868,044 |
| Relocation | \$ 1,200,000 |
| Architectural Fees | \$ 250,000 |
| Survey & Engineering Fees | \$ 80,000 |
| Construction Interest & Fees | \$ 2,147,300 |
| Permanent Financing | \$ 10,000 |
| Legal Fees | \$ 80,000 |
| Reserves | \$ 723,070 |
| Appraisal | \$ 10,000 |
| Contingency | \$ 893,638 |
| Other Project Costs (Soft Costs, Marketing, etc.) | \$ 891,642 |
| Developer Costs | \$ 5,317,279 |
| Total Uses | \$ 46,170,973 |

Description of Financial Structure and Bond Issuance:

The bonds will be purchased in 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 1-month LIBOR plus a spread of 2.00%. During the permanent financing phase, the loan term will be for 35 years with an amortization period of 35 years at a fixed rate equal to the sum of 18-year LIBOR plus a spread of 2.25%.

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: 46 out of 140
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$32,726,000 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 | 0 |
| Exceeding Minimum Income Restrictions: | 35 | 15 | 31 |
| 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 | 0 |
| Community Revitalization Area | 5 | 5 | 0 |
| Site Amenities | 10 | 10 | 10 |
| Service Amenities | 10 | 10 | 0 |
| New Construction or Substantial Renovation | 10 | 10 | 0 |
| Sustainable Building Methods | 10 | 10 | 0 |
| 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 | 120 | 46 |

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.