

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 20, 2016
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Louise Eller

Applicant: California Municipal Finance Authority

Allocation Amount Requested: Tax-exempt: \$8,000,000

Project Information:

Name: Esperanza Crossing Phase II Apartments
Project Address: 16797 County Road 87
Project City, County, Zip Code: Esparto, Yolo, 95627

Project Sponsor Information:

Name: To-be-formed L.P. (Mercy Housing Calwest)
Principals: Doug Shoemaker, Val Agostino, Vince Dodds, Joe Rosenblum
and Amy Bayley for Mercy Housing Calwest
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: Wells Fargo & California Community Reinvestment Corporation
TEFRA Noticing Date: July 14, 2015
TEFRA Adoption Date: July 28, 2015

Description of Proposed Project:

State Ceiling Pool: Rural
Total Number of Units: 39, plus 1 manager unit
Type: New Construction
Type of Units: Family

Esperanza Crossing Phase II is a new construction project located in Esparto on a 2.54 acre site. The project consists of 39 units. The unit breakdown is as follows: 8 one-bedroom units, 19 two-bedroom units and 12 three-bedroom units. The project will consist of four residential buildings: Two 2-story, 8 unit buildings and two 2-story, 12 unit building. The buildings will be slab-on-grade. Roofing will be composition shingle and raised seam metal cladding. Unit amenities include independently controlled heating and cooling in each unit with ventilation and fresh air circulation, storage in all units, energy star appliances, gas ranges and garbage disposals. The construction is expected to start September 2016 and complete September 2017.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
79% (31 units) restricted to 50% or less of area median income households.
21% (8 units) restricted to 60% or less of area median income households.
Unit Mix: 1, 2 & 3 bedrooms

The proposed project will be providing after school programs throughout the school year for at least 10 hours per week and a bona fide service coordinator/social worker for at least 137 hours per year.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	12,255,000	
Estimated Hard Costs per Unit:	\$	169,535	(\$6,611,854 /39 units)
Estimated per Unit Cost:	\$	314,231	(\$12,255,000 /39 units)
Allocation per Unit:	\$	205,128	(\$8,000,000 /39 units)
Allocation per Restricted Rental Unit:	\$	205,128	(\$8,000,000 /39 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 8,000,000	\$ 0
LIH Tax Credit Equity	\$ 500,000	\$ 4,987,438
CCRC - Tranche A	\$ 0	\$ 598,400
CCRC - Tranche B	\$ 0	\$ 900,800
HCD - Home Funds	\$ 3,300,000	\$ 4,500,000
Yolo County Housing Trust Fund	\$ 300,000	\$ 300,000
GP Equity	\$ 0	\$ 100
Sponsor Loan	\$ 0	\$ 868,262
Deferred Developer Fee	\$ 0	\$ 100,000
Total Sources	\$ 12,100,000	\$ 12,255,000

Uses of Funds:	
Land Cost/Acquisition	\$ 372,000
New Construction	\$ 7,328,092
Contractor Overhead	\$ 59,101
Architectural Fees	\$ 300,000
Survey and Engineering	\$ 75,000
Construction Interest and Fees	\$ 593,340
Permanent Financing	\$ 34,992
Legal Fees	\$ 90,000
Reserves	\$ 167,530
Appraisal	\$ 12,500
Contingency Cost	\$ 369,360
Local Development Impact Fees	\$ 976,903
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 404,098
Developer Costs	\$ 1,472,084
Total Uses	\$ 12,255,000

Description of Financial Structure and Bond Issuance:

This is a private placement transaction. Wells Fargo will be providing bond financing during the construction phase and California Community Reinvestment Corporation will be providing financing for the permanent phase. During the construction financing phase the loan term will be for 18 months with an all-in variable rate plus a cushion of 1.50% . During the permanent financing phase, the loan term for Tranche A and Tranche B will be 17 years. Tranche A will have an amortization period of 30 years while Tranche B will have a amortization period of 20 years at a fixed rate of 4.75%.

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: 87.5 out of 140
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$8,000,000 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	0
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	5
Leveraging	10	10	10
Community Revitalization Area	5	5	0
Site Amenities	10	10	7.5
Service Amenities	10	10	10
New Construction or Substantial Renovation	10	10	10
Sustainable Building Methods	10	10	5
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	87.5

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.