

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 14, 2016
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Ruben Barcelo

Applicant:	California Municipal Finance Authority
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Allocation Amount Requested:	Tax-exempt: \$9,935,046
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Project Information:	Name: Connell Apartments
	Project Address: 7010 Princevalle St. and 610 & 620 Fairview Dr.
	Project City, County, Zip Code: Gilroy, Santa Clara, 95020

Project Sponsor Information:	Name: Connell Apartments, L.P. (Connell Apartments LLC)
	Principals: Linda Mandolini, Jan Peters, Jim Kennedy and Kathleen Hamm for Connell Apartments LLC
	Property Management Company: Eden Housing Management, Inc.

Project Financing Information:	Bond Counsel: Jones Hall, A Professional Law Corporation
	Private Placement Purchaser: Wells Fargo Bank N.A. (construction) and California Community Reinvestment Corporation (permanent)
	TEFRA Noticing Date: October 21, 2016
	TEFRA Adoption Date: November 7, 2016

Description of Proposed Project:	State Ceiling Pool: General
	Total Number of Units: 27, plus 1 manager unit
	Type: Acquisition and Rehabilitation
	Type of Units: Family

Connell Apartments is a 28-unit family affordable housing development built in 1962 situated on three contiguous land parcels totaling 0.81 acres located in a residential neighborhood characterized by single-family housing and low-rise apartment buildings. The project is composed of three two-story buildings situated across the three contiguous parcels. The 28 units are distributed among the three buildings as follows: 20 units at 7010 Princevalle St., 4 units at 610 Fairview Dr., and 4 units at 620 Fairview Dr. The project consists of studio, 1-bedroom and 2-bedroom units. Proposed work includes repair or replacement of roofs at 610 & 620 Fairview, exterior siding, windows, stairs, balcony decks and upper walkways, renovation of selected unit interiors as required by the Capital Needs Assessment, laundry room upgrades, solar photovoltaics installation, upgrades to HVAC/mechanical and electrical systems, retrofitting of irrigation system, replacement of selected lawn sections with drought resistant landscaping, repairs to hardscape and paving and repairs to parking areas. Renovations are anticipated to improve site energy efficiency by 10%. Renovation is scheduled to begin February/March 2017 and to be completed November 2017.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
70% (19 units) restricted to 50% or less of area median income households.
30% (8 units) restricted to 60% or less of area median income households.
Unit Mix: Studio, 1 & 2 bedrooms

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:	\$	14,241,628	
Estimated Hard Costs per Unit:	\$	104,077	(\$2,810,077 /27 units)
Estimated per Unit Cost:	\$	508,630	(\$14,241,628 /28 units including mgr. units)
Allocation per Unit:	\$	367,965	(\$9,935,046 /27 units)
Allocation per Restricted Rental Unit:	\$	367,965	(\$9,935,046 /27 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 9,935,046	\$ 2,888,326
Tax Credit Equity	\$ 0	\$ 4,756,903
GP Equity	\$ 0	\$ 50,000
City of Gilroy Assumed Loan	\$ 208,073	\$ 208,073
Eden Permanent Loan	\$ 0	\$ 2,000,000
GP Equity Existing Reserves	\$ 84,899	\$ 84,899
Accrued/Deferred Interest	\$ 77,370	\$ 77,370
LP Equity	\$ 109,595	\$ 0
Seller Carryback Loan	\$ 2,886,737	\$ 2,886,737
Income From Operations	\$ 0	\$ 349,412
Deferred Developer Fee	\$ 939,908	\$ 939,908
Total Sources	\$ 14,241,628	\$ 14,241,628

Uses of Funds:	
Land Cost/Acquisition	\$ 7,000,000
Rehabilitation	\$ 3,097,577
Contractor Overhead & Profit	\$ 176,951
Architectural Fees	\$ 250,000
Survey and Engineering	\$ 150,000
Construction Interest and Fees	\$ 674,925
Permanent Financing	\$ 45,109
Legal Fees	\$ 161,900
Reserves	\$ 111,392
Appraisal	\$ 7,500
Transfer Taxes/Title/Escrow	\$ 42,900
Relocation	\$ 137,000
Contingency Cost	\$ 412,162
Developer Cost	\$ 1,739,908
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 234,304
Total Uses	\$ 14,241,628

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: 71.66 out of 140
[See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$9,935,046 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
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	1.66
Community Revitalization Area	5	5	0
Site Amenities	10	10	10
Service Amenities	10	10	0
New Construction or Substantial Renovation	10	10	10
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	110	71.66

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.