

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 15, 2017
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Richard Fischer

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| Applicant: | California Municipal Finance Authority |
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| Allocation Amount Requested: | Tax-exempt: | \$11,200,000 |
|-------------------------------------|--------------------|--------------|

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|-----------------------------|--|--------------------------------------|
| Project Information: | Name: | EE Cleveland Manor Apartments |
| | Project Address: | 2611 E.C. Reems Court |
| | Project City, County, Zip Code: | Oakland, Alameda, 94605 |

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|-------------------------------------|-------------------------------------|--|
| Project Sponsor Information: | Name: | EE Cleveland Manor Preservation, L.P. (Hope Senior Housing Corporation) |
| | Principals: | Ruth McGautha for Hope Senior Housing Corporation (501(c)(3)) Non-Profit Corporation |
| | Property Management Company: | Monfric, Inc. |

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|---------------------------------------|-------------------------------------|------------------------------------|
| Project Financing Information: | Bond Counsel: | Orrick, Herrington & Sutcliffe LLP |
| | Private Placement Purchaser: | Red Stone Tax Exempt Funding LLC |
| | Cash Flow Permanent Bond: | Not Applicable |
| | Public Sale: | Not Applicable |
| | Underwriter: | Not Applicable |
| | Credit Enhancement Provider: | Not Applicable |
| | TEFRA Noticing Date: | January 6, 2017 |
| | TEFRA Adoption Date: | January 26, 2017 |

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|---|-------------------------------|--------------------------------|
| Description of Proposed Project: | State Ceiling Pool: | General |
| | Total Number of Units: | 54 |
| | Manager's Units: | 1 Unrestricted |
| | Type: | Acquisition and Rehabilitation |
| | Population Served: | Senior Citizens/Special Needs |

EE Cleveland Manor Apartments is an existing project located in the City of Oakland on a .72 +/- acre site. The project consists of 53 rental units and 1 (unrestricted) managers' unit. The project has 13-studio units and 40 one-bedroom units. The renovations will include building exterior and interior upgrades. Building exterior renovations will consist of replacement of certain patio covers, widening of common area pathways, common area lighting, improvements to community areas, elevator cab improvements, parking area improvements and a fresh coat of paint. Individual apartment units will be updated with heating/air conditioning upgrades, mechanical and electrical upgrades, new kitchen and bathroom equipment, new cabinets, new kitchen surfaces, new flooring, paint and new window treatments. The rehabilitation is expected to begin in July 2017 and to be completed in March 2018.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 98%
24% (13 units) restricted to 50% or less of area median income households.
74% (40 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: \$ 16,057,832
Estimated Hard Costs per Unit: \$ 27,322 (\$1,448,053 /53 units)
Estimated per Unit Cost: \$ 297,367 (\$16,057,832 /54 units including mgr. unit)
Allocation per Unit: \$ 211,321 (\$11,200,000 /53 units)
Allocation per Restricted Rental Unit: \$ 211,321 (\$11,200,000 /53 restricted units)

| Sources of Funds: | <u>Construction</u> | <u>Permanent</u> |
|----------------------------|----------------------|----------------------|
| Tax-Exempt Bond Proceeds | \$ 11,200,000 | \$ 9,037,206 |
| LIH Tax Credit Equity | \$ 1,115,468 | \$ 3,718,225 |
| Deferred Developer Fee | \$ 892,014 | \$ 83,474 |
| Existing Replacement Res. | \$ 391,628 | \$ 391,628 |
| Seller Carryback Loan | \$ 1,047,317 | \$ 1,047,317 |
| City of Oakland | \$ 1,411,405 | \$ 1,411,405 |
| Net Income From Operations | \$ 0 | \$ 368,577 |
| Total Sources | \$ 16,057,832 | \$ 16,057,832 |

| Uses of Funds: | |
|---|----------------------|
| Land Cost/Acquisition | \$ 8,691,628 |
| Rehabilitation | \$ 1,533,316 |
| Relocation | \$ 270,000 |
| Contractor Overhead & Profit | \$ 113,684 |
| Architectural Fees | \$ 115,000 |
| Survey and Engineering | \$ 80,000 |
| Construction Interest and Fees | \$ 1,461,800 |
| Permanent Financing | \$ 204,292 |
| Legal Fees | \$ 210,000 |
| Reserves | \$ 953,383 |
| Appraisal | \$ 10,000 |
| Hard Cost Contingency | \$ 202,500 |
| Local Development Impact Fees | \$ 0 |
| Other Project Costs (Soft Costs, Marketing, etc.) | \$ 538,542 |
| Developer Costs | \$ 1,673,687 |
| Total Uses | \$ 16,057,832 |

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:

72 out of 140

[See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$11,200,000 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 | 20 |
| Exceeding Minimum Income Restrictions: | 35 | 15 | 32 |
| 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 | 10 |
| Community Revitalization Area | 5 | 5 | 0 |
| Site Amenities | 10 | 10 | 5 |
| 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 | N/A |
| Minimum Term of Restrictions (Competitive Allocation Process Only) | 10 | 10 | N/A |
| Negative Points (No Maximum) | -10 | -10 | 0 |
| Total Points | 140 | 110 | 72 |

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.