

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 17, 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: | \$34,300,000 |

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| Project Information: | |
| Name: | The Cannery Apartments |
| Project Address: | 111 Lewis Street |
| Project City, County, Zip Code: | Gilroy, Santa Clara, 95020 |

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| Project Sponsor Information: | |
| Name: | Gilroy Lewis Street, L.P. (Gilroy Lewis Street, LLC and WCH Affordable XXXI, LLC) |
| Principals: | John Huskey, Kasey Burke and George Russo for Gilroy Lewis Street, LLC; Graham Espley-Jones, Sandra Gibbons and Leanne Truofreh for WCH Affordable XXXI, LLC |
| Property Management Company: | Cambridge Real Estate Services |

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| Project Financing Information: | |
| Bond Counsel: | Jones Hall, A Professional Law Corporation |
| Private Placement Purchaser: | JPMorgan Chase Bank, N.A. (construction)/Barings, LLC (permanent) |
| Cash Flow Permanent Bond: | Not Applicable |
| Public Sale: | Not Applicable |
| Underwriter: | Not Applicable |
| Credit Enhancement Provider: | Not Applicable |
| Rating: | Not Applicable |
| TEFRA Noticing Date: | March 17, 2017 |
| TEFRA Adoption Date: | April 17, 2017 |

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| Description of Proposed Project: | |
| State Ceiling Pool: | General |
| Total Number of Units: | 104 |
| Manager's Units: | 1 Unrestricted |
| Type: | New Construction |
| Population Served: | Family |

The Cannery Apartments is a new construction project located in Gilroy on a 4.94 -acre site. The project consists of 103 rental units and 1 unrestricted manager's unit. The project will have 5 one-bedroom units, 70 two- bedroom units and 28 three-bedroom units. The buildings will be 2 and 4 story garden style units. Common amenities in the units are bathroom, full kitchen with dishwasher, garbage disposal, oven, and refrigerator; coat closets; carpeting; and central A/C. Building common area amenities consist of a community dining room, community lounge with kitchen and dining room, exercise room, playground, community garden, outdoor eating area, covered parking, bike storage, an on-site management room, laundry facilities, management offices and one bike parking space per unit. The construction is expected to begin June 2017 and be completed in October 2018.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
12% (11 units) restricted to 50% or less of area median income households.
88% (92 units) restricted to 60% or less of area median income households.
Unit Mix: 1, 2 & 3 bedrooms

The proposed project will not be providing service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

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|---|---------------|--|
| Estimated Total Development Cost: | \$ 43,368,404 | |
| Estimated Hard Costs per Unit: | \$ 198,959 | (\$20,691,686 /104 units including mgr. units) |
| Estimated per Unit Cost: | \$ 417,004 | (\$43,368,404 /104 units including mgr. units) |
| Allocation per Unit: | \$ 329,808 | (\$34,300,000 /104 units including mgr. units) |
| Allocation per Restricted Rental Unit: | \$ 333,010 | (\$34,300,000 /103 restricted units) |

| Sources of Funds: | <u>Construction</u> | <u>Permanent</u> |
|--------------------------|----------------------|----------------------|
| Tax-Exempt Bond Proceeds | \$ 34,300,000 | \$ 17,869,000 |
| LIH Tax Credit Equity | \$ 3,863,915 | \$ 19,319,577 |
| Deferred Developer Fee | \$ 0 | \$ 4,179,827 |
| Deferred Costs | \$ 5,204,489 | \$ 0 |
| GP Loan | \$ 0 | \$ 2,000,000 |
| Total Sources | \$ 43,368,404 | \$ 43,368,404 |

| Uses of Funds: | |
|----------------------------------|----------------------|
| Land Cost/Acquisition | \$ 3,147,800 |
| New Construction | \$ 22,600,624 |
| Contractor Overhead & Profit | \$ 1,266,332 |
| Architectural Fees | \$ 738,800 |
| Survey and Engineering | \$ 1,219,220 |
| Construction Interest and Fees | \$ 1,574,627 |
| Permanent Financing | \$ 154,018 |
| Legal Fees | \$ 222,500 |
| Reserves | \$ 402,488 |
| Hard Cost Contingency | \$ 1,454,565 |
| Local Development Impact Fees | \$ 3,931,062 |
| Other Project Costs (Soft Costs) | \$ 1,566,368 |
| Developer Costs | \$ 5,090,000 |
| Total Uses | \$ 43,368,404 |

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:

65.3 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$34,300,000 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 | Points Scored |
|--|--|---|---------------|
| Preservation Project | 20 | 20 | 0 |
| Exceeding Minimum Income Restrictions: | 35 | 15 | 25.3 |
| Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project] | [10] | [10] | 10 |
| Gross Rents | 5 | 5 | 5 |
| Large Family Units | 5 | 5 | 5 |
| 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 | 10 |
| 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 | 120 | 65.3 |

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.