

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 19, 2017
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Sarah Lester

Applicant: California Statewide Communities Development Authority

Allocation Amount Requested:

Tax-exempt: \$23,127,500

Project Information:

Name: Lake Merritt Apartments
Project Address: 1417 1st Avenue
Project City, County, Zip Code: Oakland, Alameda, 94606

Project Sponsor Information:

Name: Lake Merritt II Preservation, LP (JHC-Lake Merritt LLC and Lake Merritt II Preservation Partners LLC)

Principals: Pamela Sapetto, David Wood, Jerry Meltreger and Susan Harden for JHC-Lake Merritt LLC; Karen Smyda, William E. Szymczak and Paul Fujii for Lake Merritt II Preservation Partners LLC

Property Management Company: Preservation Partners Management Group, Inc.

Project Financing Information:

Bond Counsel: Orrick, Herrington & Sutcliffe, LLP

Private Placement Purchaser: Citibank, N.A./Lake Merritt Preservation, LP

Cash Flow Permanent Bond: Lake Merritt Preservation, LP

Public Sale: Not Applicable

Underwriter: Not Applicable

Credit Enhancement Provider: Not Applicable

Rating: Not Applicable

TEFRA Noticing Date: May 5, 2017

TEFRA Adoption Date: June 14, 2017

Description of Proposed Project:

State Ceiling Pool: General

Total Number of Units: 55

Manager's Units: 1 Restricted

Type: Acquisition and Rehabilitation

Population Served: Senior Citizens

Lake Merritt Apartments is an existing project located in Oakland on a 0.56-acre site. The project consists of 54 restricted rental units and 1 restricted manager's unit. The project has 54 one-bedroom units and 1 two-bedroom unit. The renovations will include building exterior and interior upgrades. Building exterior renovations will consist of overlay new TPO 60mil roof and new flashings, installation of new vinyl windows at units and common areas, replacement of boilers and system and two roof top MAU and new LED wall packs on exterior. Interior renovations will include common areas, laundry room, corridors, stairwells, leasing office and elevator upgrades. Individual apartment units will be updated with a new appliance package, countertops, cabinets, fixtures, paint and electrical updates. Lastly, common or site area renovations will consist of replacement of all light fixtures, installation of 4" base in all corridors and elevator lobbies, fire sprinklers, new ceramic flooring in laundry room, painting of common corridors, stairwells and doors/frames, stucco/wood walls, removal and replacement of existing generator and ADA updates. The rehabilitation is expected to begin in August 2017.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (55 units) restricted to 50% or less of area median income households.
Unit Mix: 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:	\$ 35,511,919	
Estimated Hard Costs per Unit:	\$ 89,673	(\$4,932,006 /55 units including mgr. units)
Estimated per Unit Cost:	\$ 645,671	(\$35,511,919 /55 units including mgr. units)
Allocation per Unit:	\$ 420,500	(\$23,127,500 /55 units including mgr. units)
Allocation per Restricted Rental Unit:	\$ 420,500	(\$23,127,500 /55 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 15,246,000	\$ 15,246,000
Tax-Exempt Cash Flow Bonds	\$ 7,881,500	\$ 7,319,712
Taxable Bond Proceeds	\$ 6,754,000	\$ 0
LIH Tax Credit Equity	\$ 2,378,012	\$ 11,312,300
Deferred Developer Fee	\$ 1,633,707	\$ 1,633,707
Seller Note	\$ 1,618,500	\$ 0
Lake Merritt II Preservation, LP Contribution	\$ 200	\$ 200
Total Sources	\$ 35,511,919	\$ 35,511,919

Uses of Funds:	
Land Cost/Acquisition	\$ 21,300,000
Rehabilitation	\$ 5,298,503
Relocation	\$ 165,000
Contractor Overhead & Profit	\$ 418,235
Architectural Fees	\$ 225,000
Survey and Engineering	\$ 30,000
Construction Interest and Fees	\$ 2,077,713
Permanent Financing	\$ 20,000
Legal Fees	\$ 280,600
Reserves	\$ 341,464
Appraisal	\$ 9,000
Hard Cost Contingency	\$ 580,143
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 632,555
Developer Costs	\$ 4,133,706
Total Uses	\$ 35,511,919

Analyst Comments:

The Project has total project costs that appear high for the geographic area in which it is located. According to the Project sponsor, the high cost is due to: 1) Property location (within the center of the City of Oakland – property values and rents); 2) Fire and life safety upgrades; 3) ADA improvements; and 4) Costs related to building's elevator.

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:

67.5 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$23,127,500 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	20
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	0
Community Revitalization Area	5	5	0
Site Amenities	10	10	7.5
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	67.5