

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: Louise Eller

Applicant: California Municipal Finance Authority

Allocation Amount Requested:
Tax-exempt: \$63,000,000

Project Information:
Name: Fellowship Plaza Apartments
Project Address: 14520 Fruitvale Avenue
Project City, County, Zip Code: Saratoga, Santa Clara, 95070

Project Sponsor Information:
Name: Fellowship Plaza, LP (Fellowship Plaza, LLC)
Principals: Mary Murtagh, Laura Hall, Cathy Macy and Errol Dominguez
for Fellowship Plaza, LLC
Property Management Company: EAH Inc. (EAH Housing)

Project Financing Information:
Bond Counsel: Jones Hall, A Professional Law Corporation
Private Placement Purchaser: Citibank, N.A.
Cash Flow Permanent Bond: Not Applicable
Public Sale: Not Applicable
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Rating: Not Applicable
TEFRA Noticing Date: April 21, 2017
TEFRA Adoption Date: May 3, 2017

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 150
Manager's Units: 2 Unrestricted
Type: Acquisition and Rehabilitation
Population Served: Senior Citizens

Fellowship Plaza Apartments is an existing project located in Saratoga on a 10.47-acre site. The project consists of 148 restricted rental units and 2 unrestricted managers' units. The project has 144 one-bedroom units and 6 two-bedroom units. The renovations will include building exterior/interior upgrades. Building exterior renovations will consist of stucco replacement, deck replacement, roofing, gutters, windows, exterior doors and repairing damaged wood. Interior renovations will include enlarging the reconfiguration of the community building, renovate and add additional washers and dryers to laundry rooms, provide new flooring and paint and modernize elevators. Individual apartment units will be updated with new toilets, faucets, showerheads and unit heating systems will be replaced. Lastly, common or site area renovations will consist of asphalt repair, reconfigure existing handicapped parking, re-route pathways, install new drought-tolerant landscaping, replace irrigation system and replace existing carports. The rehabilitation is expected to begin in December 2017 and completed in June 2019.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (148 units) restricted to 50% or less of area median income households.
Unit Mix: 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:	\$	107,278,451	
Estimated Hard Costs per Unit:	\$	169,682	(\$25,452,225 /150 units including mgr. units)
Estimated per Unit Cost:	\$	715,190	(\$107,278,451 /150 units including mgr. units)
Allocation per Unit:	\$	420,000	(\$63,000,000 /150 units including mgr. units)
Allocation per Restricted Rental Unit:	\$	425,676	(\$63,000,000 /148 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 63,000,000	\$ 5,599,000
Tranche B Financing	\$ 0	\$ 23,503,000
LIH Tax Credit Equity	\$ 1,660,052	\$ 35,148,543
Deferred Developer Fee	\$ 9,898,153	\$ 9,898,153
GP Capital	\$ 100	\$ 100
Seller Carryback Loan	\$ 28,127,043	\$ 28,127,043
Accrued/Deferred Interest	\$ 1,218,839	\$ 1,218,839
Net Income From Operations	\$ 0	\$ 2,042,580
Existing Reserves Withdrawal	\$ 0	\$ 1,741,193
Total Sources	\$ 103,904,187	\$ 107,278,451

Uses of Funds:	
Land Cost/Acquisition	\$ 48,072,958
Rehabilitation	\$ 27,485,815
Relocation	\$ 3,900,800
Contractor Overhead & Profit	\$ 1,094,032
Architectural Fees	\$ 1,163,789
Survey and Engineering	\$ 177,500
Construction Interest and Fees	\$ 5,727,753
Permanent Financing	\$ 40,723
Legal Fees	\$ 160,000
Reserves	\$ 1,222,306
Appraisal	\$ 28,131
Hard Cost Contingency	\$ 2,857,985
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 2,468,506
Developer Costs	\$ 12,878,153
Total Uses	\$ 107,278,451

Analyst Comments:

This project is considered a high cost per unit project. The acquisition cost of this project is high due to the high rent potential and the fact that this project is located in Saratoga. The scope of the rehabilitation is fairly extensive due to the age and condition of the property. Lastly, the relocation costs associated with the project are high due to a tight real estate market and the length of the relocation.

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:

70 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$63,000,000 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	0
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	110	70