

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**September 20, 2017**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Ruben Barcelo*

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**Applicant:** California Municipal Finance Authority

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**Allocation Amount Requested:**

**Tax-exempt:** \$12,200,000

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**Project Information:**

**Name:** Piper Court Apartments  
**Project Address:** 101-197 Piper Court  
**Project City, County, Zip Code:** Fairfax, Marin, 94930

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**Project Sponsor Information:**

**Name:** Piper Court Fairfax, L.P. (Piper Court EAH, LLC)  
**Principals:** Alvin Bonnett, Mary Murtagh, Welton Jordan, Laura Hall,  
Cathy Macy and David Egan  
**Property Management Company:** EAH Inc.

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**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:** May 4, 2017  
**TEFRA Adoption Date:** May 23, 2017

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**Description of Proposed Project:**

**State Ceiling Pool:** General  
**Total Number of Units:** 27  
**Manager's Units:** 1 Unrestricted  
**Type:** Acquisition and Rehabilitation  
**Population Served:** Family

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Piper Court Apartments is an existing project located in Fairfax on a 2.68-acre site. The project consists of 26 restricted rental units and 1 unrestricted manager unit. The project provides 18 two-bedroom units and 9 three-bedroom units distributed among 9 two-story buildings. Building exterior renovations will consist of new roofs, siding, insulation, balconies and railings, exterior doors and frames, windows, structural footings, and stairs and landings. Individual apartment units will be updated with new kitchen appliances, sinks, tubs/showers, toilets, countertops, cabinets, doors and trim, flooring, window coverings, smoke/CO detectors, electrical upgrades, gas wall furnaces, exhaust fans, water heaters, plumbing lines and fresh paint. One unit will be remodeled to provide full ADA accessibility. Common or site area renovations will consist of replacement of retaining walls and pool fencing, repair of driveways and sidewalks, and addition of new walkways around buildings. The rehabilitation is expected to begin in December 2017 and to be completed in November 2018.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%  
69% (18 units) restricted to 50% or less of area median income households.  
31% (8 units) restricted to 60% or less of area median income households.  
**Unit Mix:** 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:**

**Estimated Total Development Cost:** \$ 17,391,225  
**Estimated Hard Costs per Unit:** \$ 155,654 (\$4,202,654 /27 units including mgr. units)  
**Estimated per Unit Cost:** \$ 644,119 (\$17,391,225 /27 units including mgr. units)  
**Allocation per Unit:** \$ 451,852 (\$12,200,000 /27 units including mgr. units)  
**Allocation per Restricted Rental Unit:** \$ 469,231 (\$12,200,000 /26 restricted units)

<b>Sources of Funds:</b>	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 12,200,000	\$ 3,088,900
LIH Tax Credit Equity	\$ 208,138	\$ 5,540,254
Deferred Developer Fee	\$ 1,908,586	\$ 1,908,586
EAH Sponsor Loan	\$ 0	\$ 3,288,693
EAH, Inc. Loan	\$ 0	\$ 2,358,757
Net Income From Operations	\$ 0	\$ 143,057
Marin County Housing Trust Fund Assumed Loan	\$ 684,875	\$ 684,875
EAH, Inc. Assumed Loan	\$ 2,358,757	\$ 0
HOME Investment Partnership Act	\$ 0	\$ 89,217
Community Development Block Grant CDBG	\$ 0	\$ 288,886
<b>Total Sources</b>	<b>\$ 17,360,356</b>	<b>\$ 17,391,225</b>

<b>Uses of Funds:</b>	
Land Cost/Acquisition	\$ 7,800,000
Rehabilitation	\$ 4,597,770
Relocation	\$ 355,000
Contractor Overhead & Profit	\$ 244,748
Architectural Fees	\$ 350,555
Survey and Engineering	\$ 96,675
Construction Interest and Fees	\$ 838,146
Permanent Financing	\$ 26,500
Legal Fees	\$ 87,500
Reserves	\$ 135,966
Appraisal	\$ 8,500
Hard Cost Contingency	\$ 474,757
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 209,737
Developer Costs	\$ 2,108,586
Title/Recording/Transfer Tax	\$ 43,580
Predevelopment Interest/ Holding Cost	\$ 13,205
<b>Total Uses</b>	<b>\$ 17,391,225</b>

**Analyst Comments:**

Per unit cost for this project exceeded CDLAC's high cost threshold. The project sponsor attributed this to traditionally high acquisition costs in Marin County. Also, the property's existing regulatory agreement allows 60-80% AMI rents, and valuation appraisal was based on this even though this project will restrict rents to 50-60% AMI. The high valuation contributed to the high acquisition cost. The project's significant scope of work also contributed to the high cost, as did the TCAC requirement to convert one unit for ADA compliance. The project's relatively small number of units will limit the developer's ability to spread out fixed costs, also contributing to the high cost.

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**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.

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**Total Points:**

76.5 out of 140 [See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approves \$12,200,000 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	0
Exceeding Minimum Income Restrictions:	35	15	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	7
Gross Rents	5	5	5
Large Family Units	5	5	5
Leveraging	10	10	7
Community Revitalization Area	5	5	0
Site Amenities	10	10	7.5
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
<b>Total Points</b>	<b>140</b>	<b>120</b>	<b>76.5</b>