

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: Sarah Lester

Applicant:	California Housing Finance Agency
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Allocation Amount Requested:	Tax-exempt: \$22,342,000
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Project Information:	Name: Kottinger Gardens Phase 2 Apartments
	Project Address: 243, 245, 247, 251, and 253 Kottinger Drive
	Project City, County, Zip Code: Pleasanton, Alameda, 94566

Project Sponsor Information:	Name: Kottinger Gardens Phase 2 Associates, L.P. (Kottinger Gardens Phase 2 LLC)
	Principals: Beth Bartlett, Kim Le, Monique Moyer and Daniel Seubert
	Property Management Company: MidPen Property Management Corporation

Project Financing Information:	Bond Counsel: Orrick, Herrington & Sutcliffe LLP
	Private Placement Purchaser: MUFJ Union Bank, N.A. (construction) / California Housing Finance Agency (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: July 15, 2017
	TEFRA Adoption Date: August 18, 2017

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

Kottinger Gardens Phase 2 Apartments is an existing project located in Pleasanton on a 1.95-acre site. The project consists of 53 restricted rental units and 1 unrestricted manager unit. The project has 50 one-bedroom units and 4 two-bedroom units and is a part of the redevelopment of two existing senior communities integrated into one affordable housing community that will include a total of 185 new units in place of the existing properties. The proposed project is the second phase of the redevelopment project. This phase will include one 32,616 square foot two-story building and five single-story buildings. The construction is Type V wood-frame and the foundations are post-tensioned concrete slabs on grade. All of the units include eat-in kitchens, easily accessible bathrooms and ample storage space. The second floor units will be served by an elevator. Shared amenities will include a fitness room and lounge, an activities room with computers, 2 laundry rooms, a management office, a tenant services office and a community room with kitchen. The rehabilitation is expected to begin in December 2017 and completed in May 2019.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
94% (50 units) restricted to 50% or less of area median income households.
6% (3 units) restricted to 60% 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: \$ 31,258,602
Estimated Hard Costs per Unit: \$ 346,382 (\$18,704,638 /54 units including mgr. units)
Estimated per Unit Cost: \$ 578,863 (\$31,258,602 /54 units including mgr. units)
Allocation per Unit: \$ 413,741 (\$22,342,000 /54 units including mgr. units)
Allocation per Restricted Rental Unit: \$ 421,547 (\$22,342,000 /53 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 22,342,000	\$ 0
Taxable Bond Proceeds (Tranche A)	\$ 0	\$ 2,274,000
Taxable Bond Proceeds (Tranche B)	\$ 0	\$ 6,222,000
LIH Tax Credit Equity	\$ 1,680,873	\$ 12,148,551
Developer Equity	\$ 100	\$ 100
Deferred Developer Fee	\$ 2,320,383	\$ 2,320,383
City of Pleasanton LIHF	\$ 2,825,360	\$ 2,825,360
Accrued/Deferred Interest	\$ 68,208	\$ 68,208
AHP	\$ 800,000	\$ 800,000
Co of Alameda Measure A1 funds	\$ 0	\$ 4,600,000
Total Sources	<u>\$ 30,036,924</u>	<u>\$ 31,258,602</u>

Uses of Funds:	
Land Cost/Acquisition	\$ 588,009
Relocation	\$ 712,000
Rehabilitation/New Construction	\$ 19,661,611
Contractor Overhead & Profit	\$ 699,776
Architectural Fees	\$ 302,370
Survey and Engineering	\$ 440,204
Construction Interest and Fees	\$ 1,885,166
Permanent Financing	\$ 106,713
Legal Fees	\$ 138,500
Reserves	\$ 216,448
Appraisal	\$ 7,500
Hard Cost Contingency	\$ 1,045,970
Local Development Impact Fees	\$ 388,738
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 1,353,812
Developer Costs	\$ 3,711,785
Total Uses	<u>\$ 31,258,602</u>

Analyst Comments:

The project is considered a high cost per unit project. Construction costs are high in part because the units are primarily one-bedroom units, with an average unit size of 604 square feet which requires that the unit kitchen and bathroom costs be spread across a small area. Similarly, the project has single story, single loaded cottages which results in extra foundation and exterior wall costs vs. a multi-story, double-loaded building. This layout also results in additional underground piping required to distribute water between multiple buildings. Additional hard costs includes solar hot water and photo-voltaic systems, and stand-alone carport structures. The site has uneven topography which is expensive to develop due to site and drainage needs. Lastly, industry hard costs are generally high in the Bay Area. The project also includes State prevailing and Federal Davis Bacon wages.

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:

74.5 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$22,342,000 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	10
Community Revitalization Area	5	5	0
Site Amenities	10	10	2.5
Service Amenities	10	10	0
New Construction or Substantial Renovation	10	10	0
Sustainable Building Methods	10	10	2
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	74.5