

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 18, 2018
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Sarah Lester

Applicant:	California Municipal Finance Authority
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Allocation Amount Requested:	Tax-exempt: \$53,913,973
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Project Information:	Name: Charles Apartments & Cypress Gardens Apartments (Scattered Site)
	Project Address: 3109 Seacrest Avenue; 3135 Seacrest Avenue
	Project City, County, Zip Code: Marina, Monterey, 93933

Project Sponsor Information:	Name: Charles Cypress, L.P. (Charles Cypress, LLC)
	Principals: John Gaffney, Doug Kuerschner, Timothy Reilly, Joseph Postigo, Linda Mandolini and Jam Peters
	Property Management Company: Eden Housing Management, Inc.

Project Financing Information:	Bond Counsel: Jones Hall, A Professional Law Corporation
	Private Placement Purchaser: JPMorgan Chase Bank, 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: March 18, 2018
	TEFRA Adoption Date: April 3, 2018

Description of Proposed Project:	State Ceiling Pool: General
	Total Number of Units: 201
	Manager's Units: 2 Unrestricted
	Type: Acquisition and Rehabilitation
	Population Served: Family

Charles Apartments & Cypress Gardens Apartments is an existing scattered site project located in Marina. The Charles Apartments site (Site 1) consists of 83 restricted rental units, 21 market rate units and 1 unrestricted manager unit for a total of 105 units. The unit configuration for Site 1 is 10 two-bedroom units, 61 three-bedroom units, 28 four-bedroom units and 6 five-bedroom units. The Cypress Gardens Apartments site (Site 2) consists of 78 restricted rental units, 17 market rate units and 1 unrestricted manager unit for a total of 96 units. Site 2 has 16 one-bedroom units and 80 two-bedroom units. The renovations will include building exterior and interior upgrades. Building exterior renovations will consist of replacement of roofs and windows, upgrades to exterior siding, repair of water intrusion damage, energy efficiency upgrades to improve efficiency by 10%, installation of solar photovoltaics, upgrades to HVAC, mechanical and electrical systems as needed, water conservation upgrades and mobility upgrades. Interior renovations will include community room upgrades, repairs to tot lots, landscaping, site hardscape and paving, parking areas, site fencing and repair or replacement of site lighting. Individual apartment units will be updated with new countertops, cabinets, fixtures, windows, flooring & carpet and vanities. Lastly, common or site area renovations will consist of concrete repairs, asphalt replacement, new roof covering, repairs to stucco exterior walls, flooring and carpeting replacement. The rehabilitation is expected to begin in June of 2018 and be completed in December 2019.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 81%
11% (21 units) restricted to 50% or less of area median income households.
70% (140 units) restricted to 60% or less of area median income households.
Unit Mix: 1, 2, 3, 4 & 5 bedrooms

The proposed project will not be receiving service amenity points.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 98,658,183	
Estimated Hard Costs per Unit:	\$ 124,364	(\$24,997,152 /201 units including mgr. units)
Estimated per Unit Cost:	\$ 490,837	(\$98,658,183 /201 units including mgr. units)
Allocation per Unit:	\$ 268,229	(\$53,913,973 /201 units including mgr. units)
Allocation per Restricted Rental Unit:	\$ 334,869	(\$53,913,973 /161 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 53,913,973	\$ 9,144,000
LIH Tax Credit Equity	\$ 1,493,314	\$ 32,431,285
Deferred Developer Fee	\$ 4,311,140	\$ 4,311,140
Deferred Costs	\$ 1,471,306	\$ 0
Seller Carryback Loan	\$ 27,403,472	\$ 27,403,472
Sponsor Loan	\$ 0	\$ 13,500,000
Accrued Deferred Interest	\$ 2,411,506	\$ 2,411,506
Acq of Property Reserves	\$ 2,653,472	\$ 2,653,472
General Partner Loan	\$ 5,000,000	\$ 5,000,000
Property Tax Refund	\$ 0	\$ 434,900
Income from Operations	\$ 0	\$ 1,368,408
Total Sources	\$ 98,658,183	\$ 98,658,183

Uses of Funds:	
Land Cost/Acquisition	\$ 38,257,500
Rehabilitation	\$ 26,360,820
Relocation	\$ 3,200,000
Contractor Overhead & Profit	\$ 1,022,751
Architectural Fees	\$ 1,200,000
Survey and Engineering	\$ 500,000
Construction Interest and Fees	\$ 7,434,273
Permanent Financing	\$ 88,580
Legal Fees	\$ 131,900
Reserves	\$ 695,406
Appraisal	\$ 7,500
Hard Cost Contingency	\$ 4,190,634
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 4,257,679
Developer Costs	\$ 11,311,140
Total Uses	\$ 98,658,183

Analyst Comments:

The rehabilitation of the subject property will require temporary relocation. According to the application, all of the current households will be temporarily displaced for approximately one month each to allow rehabilitation and ADA upgrades to occur. The schedule of relocations are to be done eight to ten units at a time and is anticipated to be completed in 12 phases. The \$3.2M is split up with \$1.2M for voluntary permanent relocation and \$2M for temporary 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:

56.5 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$53,913,973 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	21.5
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	10
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	56.5