

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
September 19, 2018
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Felicity Wood

Applicant:	County of Alameda
Allocation Amount Requested:	Tax-exempt: \$44,420,000
Project Information:	Name: Empyrean and Harrison Apartments (Scattered Site) Project Address: Empyrean: 344 13th St.; Harrison: 1415 Harrison St. Project City, County, Zip Code: Oakland, Alameda, 94612
Project Sponsor Information:	Name: Harrison Menlo Preservation, L.P. (RCD GP II, LLC) Principals: Daniel Sawislak Property Management Company: John Stewart Company
Project Financing Information:	Bond Counsel: Orrick, Herrington & Sutcliffe LLP Private Placement Purchaser: MUFG Union 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: April 3, 2018 TEFRA Adoption Date: April 30, 2018
Description of Proposed Project:	State Ceiling Pool: General Total Number of Units: 147 Manager's Units: 1 Unrestricted Type: Acquisition and Rehabilitation Population Served: Family/Special Needs

Empyrean and Harrison Apartments is an existing project located in Oakland on a 0.115-acre site. The project consists of 136 restricted rental units, 10 unrestricted units and one unrestricted manager unit. The project has 12 one-bedroom units, and 135 studio units. The renovations will include building (exterior/interior) upgrades. Building exterior renovations will consist of a new roof and window repairs. Interior renovations will include upgrades to common areas, including accessibility improvements. Bike parking and laundry will be added to the basement. Individual apartment units will be updated with kitchenettes. Lastly, common or site area renovations will consist of a major modernization of the elevator, new heating and HVAC systems, energy efficiency upgrades, new plumbing, and seismic upgrades. The building will be Green Point Rated. Approximately four street trees will be planted in existing tree wells in the sidewalks. The rehabilitation is expected to begin in November 2018 and be completed in April 2020. Note that ten of the project's units are studios at 80% of the Area Median Income.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 93%
55% (81 units) restricted to 50% or less of area median income households.
38% (55 units) restricted to 60% or less of area median income households.
Unit Mix: Studio & 1 bedroom

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: \$ 77,484,593
Estimated Hard Costs per Unit: \$ 527,106 (\$77,484,593 /147 units including mgr. units)
Estimated per Unit Cost: \$ 527,106 (\$77,484,593 /147 units including mgr. units)
Allocation per Unit: \$ 302,177 (\$44,420,000 /147 units including mgr. units)
Allocation per Restricted Rental Unit: \$ 326,618 (\$44,420,000 /136 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 44,420,000	\$ 3,474,000
Tranche B Financing	\$ 0	\$ 1,672,000
LIH Tax Credit Equity	\$ 2,569,368	\$ 20,600,222
Developer Equity	\$ 4,589,195	\$ 11,032,654
Deferred Developer Fee	\$ 2,070,257	\$ 2,070,257
Deferred Costs	\$ 831,431	\$ 0
Existing Oakland Loan (Assumed)	\$ 4,038,706	\$ 4,038,706
Existing County Loan (Assumed)	\$ 165,000	\$ 165,000
Existing MHP Loan (Assumed)	\$ 7,278,399	\$ 7,278,399
City of Oakland Loan	\$ 4,988,000	\$ 4,988,000
Oakland Housing Authority Loan	\$ 4,300,000	\$ 4,300,000
FHLB - AHP	\$ 1,450,000	\$ 1,450,000
Oakland Park & Rec Foundation Grant	\$ 1,600	\$ 1,600
HCD AHSC	\$ 0	\$ 15,631,118
Withdrawal from Existing Reserves	\$ 782,637	\$ 782,637
Total Sources	\$ 77,484,593	\$ 77,484,593
Uses of Funds:		
Land Cost/Acquisition	\$ 16,473,705	
Rehabilitation	\$ 36,674,505	
Relocation	\$ 2,000,000	
Contractor Overhead & Profit	\$ 1,003,842	
Architectural Fees	\$ 2,160,000	
Survey and Engineering	\$ 125,000	
Construction Interest and Fees	\$ 3,691,881	
Permanent Financing	\$ 63,595	
Legal Fees	\$ 105,000	
Reserves	\$ 1,838,361	
Appraisal	\$ 15,000	
Hard Cost Contingency	\$ 3,421,813	
Local Development Impact Fees	\$ 0	
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 1,852,440	
Developer Costs	\$ 8,059,452	
Total Uses	\$ 77,484,593	

Analyst Comments:

This project is considered a high cost per unit project. A substantial portion of overall project costs are due to: (1) assumption of existing debt at Harrison Hotel, an existing affordable property; and (2) a high developer fee, in line with TCAC regulations, along with a high GP Capital Contribution.

Beyond these two major factors, there are physical issues driving up the project hard costs. Both buildings are historic and held to the highest standards of historic renovation, including rehabbing existing wood windows, repairing tiles and clerestory, and maintaining existing columns, molding, and details. The buildings are over 100 years old and require substantial seismic retrofits. Both buildings are receiving ADA upgrades (one building going from 0% to 10% ADA units, the other from 5% to 10% ADA units). As occupied renovations, temporary relocation is a substantial expense.

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:

48 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$44,420,000 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	10.00
Exceeding Minimum Income Restrictions:	35	15	18.00
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	0.00
Large Family Units	5	5	0.00
Leveraging	10	10	10.00
Community Revitalization Area	5	5	0.00
Site Amenities	10	10	0.00
Service Amenities	10	10	0.00
New Construction or Substantial Renovation	10	10	10.00
Sustainable Building Methods	10	10	0.00
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	0.00
Total Points	140	110	48.00