

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
October 17, 2018
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Richard Fischer

Applicant: California Municipal Finance Authority

Allocation Amount Requested: Tax-exempt: \$48,770,000

Project Information:

Name: Arroyo Green Apartments
Project Address: 707-777 Bradford Street
Project City, County, Zip Code: Redwood City, San Mateo, 94063-1701

Project Sponsor Information:

Name: MP Bradford Associates, L.P. (MP Bradford Senior Housing, LLC)
Principals: Matthew O. Franklin and Jan M. Lindenthal for MP Bradford Senior Housing, LLC
Property Management Company: MidPen Property Management Corporation

Project Financing Information:

Bond Counsel: Jones Hall, A Professional Law Corporation
Private Placement Purchaser: Bank of America, 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: August 7, 2018
TEFRA Adoption Date: September 10, 2018

Description of Proposed Project:

State Ceiling Pool: General
Total Number of Units: 117
Manager's Units: 1 Unrestricted
Type: New Construction
Population Served: Senior Citizens

Arroyo Green Apartments is a new construction project located in Redwood City on a 1.36-acre site. The project consists of 116 restricted rental units and 1 unrestricted manager unit. The project will have 29 Studios, 83 one-bedroom units and 5 two-bedroom units. The building will be 7 stories with the first two floors for parking. Common amenities include a community room, two laundry facilities, management offices, fitness room, game room, library/reading room, computer lab and secured bike room. Ten percent (twelve) of the units will be built out as fully accessible, or prescribed by ADA. Bathrooms will have appropriate maneuvering space for a wheel chair, fully backed grab bars, and removable base cabinets at the vanities. Accessible kitchens will be designed to accommodate mobility impairments and include features such as easily accessible shelves, counters, appliances, and electrical switches. Four percent (five) of the units will be designed for hearing/visually impaired residents. Other sustainable and green building elements will include landscaping comprising of drought-tolerant and non-invasive plantings, wall and floor insulation with 30% post-consumer/60% post-industrial recycled content, water-saving plumbing features, low- or zero-VOC interior paints, and energy efficient appliances and lighting. Additionally, the project will divert a least 65% of construction waste. Construction is expected to begin April 2019 and be completed in December 2020.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

10% (12 units) restricted to 50% or less of area median income households.

90% (104 units) restricted to 60% or less of area median income households.

Unit Mix: Studio, 1 & 2 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:	\$ 74,047,173	
Estimated Hard Costs per Unit:	\$ 378,929	(\$44,334,735 /117 units including mgr. units)
Estimated per Unit Cost:	\$ 632,882	(\$74,047,173 /117 units including mgr. units)
Allocation per Unit:	\$ 416,838	(\$48,770,000 /117 units including mgr. units)
Allocation per Restricted Rental Unit:	\$ 420,431	(\$48,770,000 /116 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 48,770,000	\$ 25,508,700
LIH Tax Credit Equity	\$ 2,616,202	\$ 27,372,518
Deferred Developer Fee	\$ 4,298,269	\$ 6,612,132
Accrd Int. on Soft Loans	\$ 202,664	\$ 202,664
Co. of San Mateo HF 4 Loan	\$ 2,500,000	\$ 2,500,000
Co. of San Mateo HF 5 Loan	\$ 3,994,726	\$ 3,994,726
Co. of San Mateo HF 6 Loan	\$ 2,697,020	\$ 2,697,020
Co. of San Mateo CBDG HOME	\$ 1,212,302	\$ 1,859,413
City of Redwood City Loan	\$ 700,000	\$ 700,000
AHP	\$ 1,100,000	\$ 1,100,000
HCD Infill Loan	\$ 1,500,000	\$ 1,500,000
Total Sources	\$ 69,591,183	\$ 74,047,173

Uses of Funds:	
Land Cost/Acquisition	\$ 672,923
New Construction	\$ 49,933,294
Contractor Overhead & Profit	\$ 1,204,496
Architectural Fees	\$ 1,482,180
Survey and Engineering	\$ 210,600
Construction Interest and Fees	\$ 4,699,441
Permanent Financing	\$ 211,315
Legal Fees	\$ 105,500
Reserves	\$ 892,030
Appraisal	\$ 7,500
Hard Cost Contingency	\$ 2,578,286
Local Development Impact Fees	\$ 1,127,858
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 2,309,617
Developer Costs	\$ 8,612,133
Total Uses	\$ 74,047,173

Analyst Comments:

This project is a High Cost Per Unit project. According to the Project Sponsor, the location is in the SF Bay Area. The costs are high in the rapidly expanding Silicon Valley economy. Due to the density on this project of roughly 86 dwelling units per acre, it is necessary to build a 7 story structure. The project requires two levels of Type I concrete construction to accommodate the parking podium. Also included is construction of an 8,365 square foot childcare facility as part of the City's requirements for the project. State prevailing wages and Davis-Bacon wages, drives up the overall costs of the project by approximately 20%. Using the gross developer fee (deferred) in the total development costs also inflates the gross costs of the project.

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:

65.2 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$48,770,000 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	25.2
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	10
Large Family Units	5	5	0
Leveraging	10	10	10
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	65.2