

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: Sarah Lester

Applicant: County of Alameda

Allocation Amount Requested:

Tax-exempt: \$59,149,000

Project Information:

Name: Faith-Tennyson Apartments
Project Address: 981 W. Tennyson Road; 983 Forselles Way
Project City, County, Zip Code: Hayward, Alameda, 94544

Project Sponsor Information:

Name: Gotta Have Faith, L.P. (Gotta Have Faith, LLC)
Principals: Linda Mandolina, Tatiana Blank, Kasey Archer and Andre Madeira
Property Management Company: Eden Housing Management, Inc.

Project Financing Information:

Bond Counsel: Orrick, Herrington & Sutcliffe LLP
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: July 20, 2018
TEFRA Adoption Date: August 7, 2018

Description of Proposed Project:

State Ceiling Pool: General
Total Number of Units: 158
Manager's Units: 3 Unrestricted
Type: Acquisition and Rehabilitation
Population Served: Family

Faith-Tennyson Gardens Apartments is a combination of two projects located in Hayward on a combined 5-acre site. The project consists of 149 restricted rental units, 6 market rate units and 3 unrestricted manager units. The project has 24 one-bedroom units, 76 two-bedroom units and 58 three-bedroom units. The renovations will include building exterior and interior upgrades. Building exterior renovations will consist of: replacement of roof, windows and siding; repair to balconies and decks as needed and addressing water intrusion damage. Energy efficiency upgrades will include: improvement of site energy efficiency by 10% over current efficiency; installation of solar photovoltaics and solar thermal systems; and upgrade to HVAC, mechanical and electrical systems as needed. Water conservation upgrades will include: retrofitting of irrigation system and installation of drought resistant landscaping where possible. Interior renovations will include: community building upgrades. Individual apartment units will be updated with replacement and upgrades to interior finishes including lighting, flooring, cabinets, countertops and plumbing fixtures as needed. Also, appliances will be replaced with Energy Star rated models as needed. There will also be upgrades to 10% of the units to include accessibility features for mobility and 4% of the units will include communication features. Lastly, common or site area renovations will consist of repairs to landscaping, site hardscape and paving, parking areas, site fencing and site lighting. The rehabilitation is expected to begin in December 2018 and be completed in January 2020.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 96%
46% (71 units) restricted to 50% or less of area median income households.
50% (78 units) restricted to 60% or less of area median income households.
Unit Mix: Studio, 1, 2 & 3 bedroo

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:	\$ 111,719,554	
Estimated Hard Costs per Unit:	\$ 156,703	(\$24,759,000 /158 units including mgr. units)
Estimated per Unit Cost:	\$ 707,086	(\$111,719,554 /158 units including mgr. units)
Allocation per Unit:	\$ 374,361	(\$59,149,000 /158 units including mgr. units)
Allocation per Restricted Rental Unit:	\$ 396,973	(\$59,149,000 /149 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 59,149,000	\$ 20,192,000
LIH Tax Credit Equity	\$ 3,785,029	\$ 39,058,125
GP Equity - Existing Reserves	\$ 641,198	\$ 641,198
Deferred Developer Fee	\$ 4,795,301	\$ 4,795,301
Deferred Costs	\$ 3,371,783	\$ 0
Seller Carryback Loan	\$ 38,772,636	\$ 38,772,636
Alameda County HOME Loan	\$ 1,173,148	\$ 1,223,148
Accrued /Deferred Interest	\$ 31,459	\$ 31,459
Income from Operations	\$ 0	\$ 2,133,850
LP Equity PV Credits	\$ 0	\$ 61,576
GP Equity	\$ 0	\$ 4,810,261
Total Sources	\$ 111,719,554	\$ 111,719,554

Uses of Funds:	
Land Cost/Acquisition	\$ 54,312,204
Rehabilitation	\$ 27,358,695
Relocation	\$ 3,600,000
Contractor Overhead & Profit	\$ 1,485,540
Architectural Fees	\$ 750,000
Survey and Engineering	\$ 845,000
Construction Interest and Fees	\$ 4,712,381
Permanent Financing	\$ 86,900
Legal Fees	\$ 120,000
Reserves	\$ 818,833
Appraisal	\$ 7,500
Hard Cost Contingency	\$ 3,461,308
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 1,505,631
Developer Costs	\$ 12,655,562
Total Uses	\$ 111,719,554

Analyst Comments:

This project is considered a high cost per unit project. The factors contributing to the high cost are: acquisition cost (includes assumed debt in the amount of \$14,042,364 and seller proceeds in the amount of \$38,772,636 [total appraised value of \$ 53,965,000]), and the developer fee of \$12,655,652 (of which \$9.6 mm is being invested back into the project as Deferred Developer Fee or General Partner contribution).

The project is a combined 158-unit family affordable housing development. Faith Manor consists of 62 units and Tennyson Gardens consists of 96 units. The buildings are three stories in height and are elevator operated. This is not a scattered site project. Both properties will be combined as one.

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:

60 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$59,149,000 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]	10
Large Family Units	5	5	5
Leveraging	10	10	0
Community Revitalization Area	5	5	0
Site Amenities	10	10	0
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	60