

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 12, 2018
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Ruben Barcelo

Applicant:	California Municipal Finance Authority
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Allocation Amount Requested:	Tax-exempt: \$64,335,000
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Project Information:	Name: Oak Grove North and Oak Grove South Apartments
	Project Address: 620 17th Street and 570 16th Street
	Project City, County, Zip Code: Oakland, Alameda, 94612

Project Sponsor Information:	Name: Oak Groves Senior Housing LP (RHI Oak Groves GP LLC)
	Principals: Eric Johnson
	Property Management Company: John Stewart Company

Project Financing Information:	Bond Counsel: Jones Hall, A Professional Law Corporation
	Private Placement Purchaser: Citibank, 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: October 19, 2018
	TEFRA Adoption Date: November 14, 2018

Description of Proposed Project:	State Ceiling Pool: General
	Total Number of Units: 152
	Manager's Units: 3 Unrestricted
	Type: Acquisition and Rehabilitation
	Population Served: Family

Oak Grove North and Oak Grove South Apartments is an existing scattered site project located in Oakland on two sites with a combined area of one acre. The project consists of 149 restricted rental units and 3 unrestricted manager units distributed as 134 one-bedroom units and 18 two-bedroom units. Building exterior renovations will include stucco siding replacement, roof replacement, new windows and doors, and balcony improvements. Interior renovations will include remodeling of the community room, community kitchen and offices for ADA compliance, fire alarm and sprinkler system upgrades, water boiler replacement, ventilation upgrades and an upgrade to the security camera system. Individual units will be updated with new kitchen appliances, new kitchen and bathroom cabinets, new plumbing fixtures and heating system upgrades. A total of 16 units will be made ADA-compliant. Site improvements will include new fencing, landscape and irrigation upgrades, and ADA path-of-travel improvements. The rehabilitation is expected to begin in April 2019 and be completed in December 2021.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

60% (89 units) restricted to 50% or less of area median income households.

40% (60 units) restricted to 60% or less of area median income households.

Unit Mix: 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:	\$	120,968,356	
Estimated Hard Costs per Unit:	\$	212,510	(\$32,301,466 /152 units including mgr. units)
Estimated per Unit Cost:	\$	795,844	(\$120,968,356 /152 units including mgr. units)
Allocation per Unit:	\$	423,257	(\$64,335,000 /152 units including mgr. units)
Allocation per Restricted Rental Unit:	\$	431,779	(\$64,335,000 /149 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 64,335,000	\$ 16,497,000
LIH Tax Credit Equity	\$ 3,915,524	\$ 40,415,238
General Partner Equity	\$ 6,500,000	\$ 6,500,000
Deferred Developer Fee	\$ 5,164,118	\$ 5,164,118
Deferred Costs	\$ 2,951,184	\$ 0
Seller Carryback Loan	\$ 35,710,530	\$ 35,710,530
Sponsor Loan	\$ 0	\$ 14,289,470
Deferred Interest from Carryback Loan	\$ 2,392,000	\$ 2,392,000
Total Sources	\$ 120,968,356	\$ 120,968,356

Uses of Funds:	
Land Cost/Acquisition	\$ 50,000,000
Rehabilitation	\$ 34,079,315
Relocation	\$ 2,600,000
Contractor Overhead & Profit	\$ 1,856,714
Architectural Fees	\$ 1,220,124
Survey and Engineering	\$ 1,244,692
Construction Interest and Fees	\$ 6,220,922
Permanent Financing	\$ 183,728
Legal Fees	\$ 120,000
Reserves	\$ 826,185
Appraisal	\$ 7,500
Hard Cost Contingency	\$ 3,593,603
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 4,361,455
Developer Costs	\$ 14,654,118
Total Uses	\$ 120,968,356

Analyst Comments:

To explain exceeding CDLAC's per unit cost threshold, the developer cited unprecedented market conditions driving up real estate acquisition costs, labor costs and material costs in the San Francisco Bay region.

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:

62.5 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$64,335,000 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	0
Leveraging	10	10	0
Community Revitalization Area	5	5	0
Site Amenities	10	10	7.5
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	62.5