

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: Felicity Wood

Applicant: California Housing Finance Agency

Allocation Amount Requested:
Tax-exempt: \$15,175,000

Project Information:
Name: Redwood Oaks Apartments
Project Address: 330 Redwood Avenue
Project City, County, Zip Code: Redwood City, San Mateo, 94161

Project Sponsor Information:
Name: Redwood Oaks Associates II, LP (Redwood Oaks - HHDC LLC and HIP Housing Development Corporation Inc.)
Principals: Kate Comfort Harr
Property Management Company: HIP Housing Affordable Ventures

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
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 25, 2018
TEFRA Adoption Date: November 2, 2018

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 36
Manager's Units: 1 Unrestricted
Type: Acquisition and Rehabilitation
Population Served: Family

Redwood Oaks Apartments is an existing project located in Redwood City on a .82-acre site. The project consists of 35 restricted rental units, and one unrestricted manager's units. The project has 34 one-bedroom units and one two-bedroom unit. The renovations will include building exterior and interior upgrades. Building exterior renovations will consist of new front doors and windows, repair of damaged columns and post supports, re-roofing and painting. Interior renovations will include the installation of sprinklers installed throughout. Individual apartment units will be updated with new heating units, bathroom ventilation, new finishes, fixtures and appliances. Lastly, common or site area renovations will consist of the construction of a new community building including a kitchen, laundry and restroom. The rehabilitation is expected to begin in April 2019 and be completed in April 2020.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
74% (26 units) restricted to 50% or less of area median income households.
26% (9 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: \$ 28,934,638
Estimated Hard Costs per Unit: \$ 187,778 (\$6,760,000 /36 units including mgr. units)
Estimated per Unit Cost: \$ 803,740 (\$28,934,638 /36 units including mgr. units)
Allocation per Unit: \$ 421,528 (\$15,175,000 /36 units including mgr. units)
Allocation per Restricted Rental Unit: \$ 433,571 (\$15,175,000 /35 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 15,175,000	\$ 5,883,061
LIH Tax Credit Equity	\$ 0	\$ 9,867,611
Developer Equity	\$ 1,914,608	\$ 940,421
Deferred Costs	\$ 1,902,894	\$ 0
Seller Carryback Loan	\$ 7,734,382	\$ 7,734,382
HCD - MHP	\$ 1,102,123	\$ 1,102,123
Net Income From Operations	\$ 209,973	\$ 211,382
San Mateo Existing	\$ 378,985	\$ 378,985
San Mateo New	\$ 0	\$ 1,000,000
Redwood City New	\$ 359,622	\$ 500,000
Redwood City Existing	\$ 0	\$ 359,622
Reserves	\$ 157,051	\$ 157,051
Sponsor Perm Loan	\$ 0	\$ 800,000
Total Sources	\$ 28,934,638	\$ 28,934,638

Uses of Funds:	
Land Cost/Acquisition	\$ 11,850,000
Rehabilitation	\$ 7,270,000
Relocation	\$ 1,200,000
Contractor Overhead & Profit	\$ 430,000
Architectural Fees	\$ 450,000
Survey and Engineering	\$ 100,000
Construction Interest and Fees	\$ 1,314,007
Permanent Financing	\$ 76,331
Legal Fees	\$ 135,000
Reserves	\$ 385,394
Appraisal	\$ 15,000
Hard Cost Contingency	\$ 1,540,000
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 728,485
Developer Costs	\$ 3,440,421
Total Uses	\$ 28,934,638

Analyst Comments:

This project is considered a high cost per unit project. Redwood Oaks Apartments is located in one of the most expensive real estate markets in the Country. As a result, the acquisition price for this 36 unit apartment complex is \$298,611 per unit. The cost to temporarily house residents while their units are being renovated is also very high given the extremely low vacancy rates and high rents in the San Mateo area. It is currently estimated to cost \$33,330 per unit to accomplish the necessary temporary relocation. The renovation cost is high due to critical seismic, electrical and waterproofing upgrades. Finally, the property has an abandoned pool that will be demolished and replaced with a small community building, office and accessible laundry. This new structure is adding significantly to the overall cost to 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:

78 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$15,175,000 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
Exceeding Minimum Income Restrictions:	35	15	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	0
Large Family Units	5	5	0.00
Leveraging	10	10	8.80
Community Revitalization Area	5	5	0.00
Site Amenities	10	10	10.00
Service Amenities	10	10	0.00
New Construction or Substantial Renovation	10	10	10.00
Sustainable Building Methods	10	10	4.00
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	77.80