Agenda Item No. 10.8
Application No. 18-422

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 12, 2018
***REVISED* 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:	$26,762,500
Project Information:	
Name:	**Shorebreeze Expansion Apartments**
Project Address:	460 North Shoreline Boulevard
Project City, County, Zip Code:	Mountain View, Santa Clara, 94043
Project Sponsor Information:	
Name:	MP Shorebreeze Associates, LP (MP Shorebreeze Expansion, LLC)
Principals:	Matthew O. Franklin and Jan M. Lindenthal for MP Shorebreeze Expansion, LLC
Property Management Company:	MidPen Property Management Corporation
Project Financing Information:	
Bond Counsel:	Jones Hall, A Professional Law Corporation
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:	January 16, 2018
TEFRA Adoption Date:	January 30, 2018
Description of Proposed Project:	
State Ceiling Pool:	General
Total Number of Units:	62
Manager's Units:	1 Unrestricted
Type:	New Construction
Population Served:	Family

Shorebreeze Expansion Apartments is a new construction project located in Mountain View on a .799-acre site. The project consists of 61 restricted rental units (2 of which are at 80% AMI) and 1 unrestricted manager unit. The project will have 21 studios, 21 one-bedroom units, 8 two- bedroom units and 12 three-bedroom units. Demolition of 12 existing occupied units, requires the 36 tenants temporary relocate offsite for 11.5 months. The new building will include two wood framed, three-story buildings with a concrete foundation, lap siding and stucco exterior, connected by a bridge, serviced by one elevator, and include two stairwells. One building on the western side of the property (Area ‘A') will contain 29 units and the second building (Area ‘B’) will contain 33 units. Common amenities include utility rooms and storage rooms that are well distributed throughout the buildings to serve the residents. New bike storage, as well as additional bike racks will be added to encourage non-vehicular transportation to lighten congestion. Each unit will have energy-star rated appliances as well as water saving flow restrictors. There are 50 parking spaces provided. A solar photovoltaic system will be installed on the roof as well as solar thermal for water heating to supply the building with clean, renewable energy and water. The construction is expected to begin February 2019 and to be completed in June 2020.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 97%

51% (31 units) restricted to 50% or less of area median income households.
46% (28 units) restricted to 60% or less of area median income households.

Unit Mix: Studio, 1, 2 & 3 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:	$	40,536,128	
Estimated Hard Costs per Unit:	$	388,547	($24,089,932 /62 units including mgr. units)
Estimated per Unit Cost:	$	653,809	($40,536,128 /62 units including mgr. units)
Allocation per Unit:	$	431,653	($26,762,500 /62 units including mgr. units)
Allocation per Restricted Rental Unit:	$	453,602	($26,762,500 /59 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	$ 26,762,500	$ 14,275,541
LIH Tax Credit Equity	$ 1,424,630	$ 15,281,300
Developer Equity	$ 100	$ 100
Deferred Developer Fee	$ 2,163,396	$ 2,163,396
Deferred Costs	$ 2,049,646	$ 0
City of MV- Rental Housing	$ 6,960,220	$ 7,640,155
City of MV HOME Funds	$ 421,403	$ 421,403
Accrued Deferred Interest	$ 254,233	$ 254,233
Hous. Trust of Silicon Val.	$ 500,000	$ 500,000
Total Sources	$ 40,536,128	$ 40,536,128

Uses of Funds:	
Land Cost/Acquisition	$ 2,445,011
Relocation	$ 769,133
New Construction	$ 23,173,514
Contractor Overhead & Profit	$ 916,418
Architectural Fees	$ 1,201,122
Survey and Engineering	$ 598,000
Construction Interest and Fees	$ 2,547,719
Permanent Financing	$ 35,000
Legal Fees	$ 130,000
Reserves	$ 389,678
Appraisal	$ 7,500
Hard Cost Contingency	$ 1,219,747
Local Development Impact Fees	$ 1,086,373
Other Project Costs (Soft Costs, Marketing, etc.)	$ 1,353,417
Developer Costs	$ 4,663,496
Total Uses	$ 40,536,128

Analyst Comments:

This project is considered a High Cost Per Unit project. This Project is located in the Bay Area where the construction costs and labor costs are much higher than normal. These costs include; land labor and local requirements. According to the Project Sponsor, construction costs are also higher because of the configuration of the Project. 80% of the units are studios, one-bedrooms and two-bedrooms, which requires that the unit kitchen and bathroom costs (which are high) to be spread across a small area and 20% of the total costs are for the three-bedroom units. The project is subject to added costs associated with the future demolition of the 12 existing occupied units, triggering the need to budget for the 36 tenants temporary relocation offsite for 11.5 months. The project also includes solar hot water and photovoltaic systems, contributing to the high upfront hard costs. The project involves site improvements and parking additions on the San Francisco Public Utilities Commission ("SFPUC") easement. Also, an expensive swale with a retaining wall was designed in the south side of the project to meet the SFPUC's requirements (Artificial swales are often infiltration basins, designed to manage water runoff, filter pollutants, and increase rainwater infiltration.) The swale concept has also been popularized as a rainwater harvesting and soil conservation strategy.

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:

55 out of 140 **[**See Attachment A**]**

Recommendation:

Staff recommends that the Committee approves $26,762,500 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	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***	***55***