

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
January 16, 2019
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Chee Thao Yang

Applicant: California Statewide Communities Development Authority

Allocation Amount Requested:

Tax-exempt: \$10,000,000

Project Information:

Name: Gateway Terrace II Apartments
Project Address: W. 12th Street, W. 13th Street & K Street
Project City, County, Zip Code: Merced, Merced, 95340

Project Sponsor Information:

Name: Merced Gateway Investors II, LP (Central Valley Coalition for Affordable Housing)
Principals: Alan Jenkins and Christina Alley
Property Management Company: Buckingham Property Management

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: November 2, 2018
TEFRA Adoption Date: November 19, 2018

Description of Proposed Project:

State Ceiling Pool: General
Total Number of Units: 50
Manager's Units: 1 Unrestricted
Type: New Construction
Population Served: Family

Gateway Terrace II Apartments is a new construction project located in Merced on a 1.65-acre site. The project consists of 49 restricted rental units and 1 unrestricted manager's unit. The project will have 12 one-bedroom units, 20 two-bedroom units and 18 three-bedroom units. The six residential buildings will be two stories. Common amenities include a community building with a kitchen facility, an activity space within the building that includes a TV, stereo and DVD Player, laundry area, outdoor recreation area with seating, tables, and a BBQ area, a computer lab and management office spaces. Each unit will have heating & air conditioning, refrigerator, dishwasher, range/oven with hood and sink with garbage disposal. The construction is expected to begin in March 2019 and be completed in March 2020.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
10% (5 units) restricted to 50% or less of area median income households.
90% (44 units) restricted to 60% or less of area median income households.
Unit Mix: 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:	\$ 12,726,364	
Estimated Hard Costs per Unit:	\$ 145,900	(\$7,295,000 /50 units including mgr. unit)
Estimated per Unit Cost:	\$ 254,527	(\$12,726,364 /50 units including mgr. unit)
Allocation per Unit:	\$ 200,000	(\$10,000,000 /50 units including mgr. unit)
Allocation per Restricted Rental Unit:	\$ 204,082	(\$10,000,000 /49 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 10,000,000	\$ 5,100,000
LIH Tax Credit Equity/Raymond James	\$ 771,583	\$ 5,077,621
Deferred Developer Fee	\$ 0	\$ 663,743
City of Merced Loan	\$ 1,885,000	\$ 1,885,000
Total Sources	\$ 12,656,583	\$ 12,726,364

Uses of Funds:	
Land Cost/Acquisition	\$ 500,001
New Construction	\$ 7,100,000
Contractor Overhead & Profit	\$ 729,500
Architectural Fees	\$ 110,000
Survey and Engineering	\$ 85,000
Construction Interest and Fees	\$ 838,140
Permanent Financing	\$ 15,000
Legal Fees	\$ 155,000
Reserves	\$ 184,052
Appraisal	\$ 10,000
Hard Cost Contingency	\$ 415,815
Local Development Impact Fees	\$ 552,858
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 430,262
Developer Costs	\$ 1,600,736
Total Uses	\$ 12,726,364

Analyst Comments:

None

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:

70 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$10,000,000 in tax-exempt bond allocation.

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	25.1
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	9.9
Large Family Units	5	5	5
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	70