

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: Ruben Barcelo

Applicant: California Municipal Finance Authority

Allocation Amount Requested:

Tax-exempt: \$8,643,497

The amount of allocation requested is supplemental to the \$24,356,503 of allocation the Project received on July 18, 2018.

Project Information:

Name: Madison Park Apartments (Supplemental)
Project Address: 100 9th Street
Project City, County, Zip Code: Oakland, Alameda, 94607

Project Sponsor Information:

Name: Madison Park Housing Associates II, LP (Madison Park Housing Associates II, LLC)
Principals: Joshua Simon, Charise Fong, Jean Bridges, Jason Varas and Jill Kunishima
Property Management Company: East Bay Asian Local Development 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: March 9, 2018
TEFRA Adoption Date: April 9, 2018

Description of Proposed Project:

State Ceiling Pool: General
Total Number of Units: 98
Manager's Units: 2 Unrestricted
Type: Acquisition and Rehabilitation
Population Served: Family

Madison Park Apartments is an existing project located in Oakland on a 0.34-acre site. The project consists of 96 restricted rental units and 2 unrestricted manager units distributed as 20 studios, 69 one-bedroom units and 9 two-bedroom units. Exterior renovations will include a partial roof replacement, structural/seismic upgrades, fire escape improvements and fresh paint. These renovations will comply with historic building codes. Interior renovations will include corridor ventilation/pressurization, improvements to the community room, addition of a computer lab, reconfiguration of offices for resident services, new carpeting, improvements to bathroom plumbing fixtures and upgrades to the elevator. Individual units will be updated with fresh paint and new kitchen appliances, and kitchens and bathrooms both will be updated with new countertops, cabinets, flooring and plumbing fixtures. Ten percent of project units will be upgraded for ADA accessibility requirements. The rehabilitation is expected to begin in February 2019 and be completed in April 2020.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
49% (47 units) restricted to 50% or less of area median income households.
51% (49 units) restricted to 60% or less of area median income households.
Unit Mix: Studio, 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:	\$ 60,019,659	
Estimated Hard Costs per Unit:	\$ 163,603	(\$16,033,065 /98 units including mgr. units)
Estimated per Unit Cost:	\$ 612,446	(\$60,019,659 /98 units including mgr. units)
Allocation per Unit:	\$ 336,735	(\$33,000,000 /98 units including mgr. units)
Allocation per Restricted Rental Unit:	\$ 343,750	(\$33,000,000 /96 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 33,000,000	\$ 9,947,000
LIH Tax Credit Equity	\$ 0	\$ 19,526,800
Historic Tax Credit	\$ 0	\$ 3,743,028
General Partner Equity (Reserves)	\$ 1,006,317	\$ 1,006,317
Limited Partner Equity	\$ 2,187,483	\$ 0
Deferred Developer Fee	\$ 4,682,919	\$ 4,682,919
Deferred Costs	\$ 3,017,746	\$ 0
Seller Carryback Loan	\$ 6,926,814	\$ 6,926,814
HCD CHRP Loan	\$ 1,633,914	\$ 1,633,914
Oakland ORA/NOFA Loans	\$ 6,722,990	\$ 6,722,990
Sponsor Loan	\$ 0	\$ 4,988,401
Deferred Interest	\$ 841,476	\$ 841,476
Total Sources	\$ 60,019,659	\$ 60,019,659
 Uses of Funds:		
Land Cost/Acquisition	\$ 21,000,000	
Predevelopment Interest/ Holding Cost	\$ 530,100	
Rehabilitation	\$ 17,613,123	
Relocation	\$ 2,600,000	
Contractor Overhead & Profit	\$ 650,226	
Architectural Fees	\$ 750,000	
Survey and Engineering	\$ 151,000	
Construction Interest and Fees	\$ 2,221,451	
Permanent Financing	\$ 83,795	
Legal Fees	\$ 55,000	
Reserves	\$ 1,266,271	
Appraisal	\$ 6,000	
Hard Cost Contingency	\$ 2,730,502	
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 3,179,272	
Developer Costs	\$ 7,182,919	
Total Uses	\$ 60,019,659	

Analyst Comments:

The project site was remapped by HUD to be newly located in a DDA area in 2019. By availing itself of the status change and the resultant additional tax credit investor equity, total project costs increased and consequently the project required additional CDLAC allocation to remain compliant with the IRC 50% rule.

The developer cited the following reasons for exceeding CDLAC's cost per unit threshold. While the project's location in Oakland's central business district will benefit residents by providing access to employment and educational opportunities, it contributed materially to the project's acquisition cost. Recently enacted import tariffs also contributed materially to project costs by increasing the cost of building materials, especially steel, aluminum, lumber and stone/granite products. Costs were also driven by the project's commitment to supporting union wages and local businesses.

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.

Recommendation:

Staff recommends that the Committee approves \$8,643,497 in tax-exempt bond allocation.

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 18, 2018
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Sarah Lester

Applicant:	California Municipal Finance Authority
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Allocation Amount Requested:	Tax-exempt: \$24,356,503
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Project Information:	Name: Madison Park Apartments
	Project Address: 100 9th Street
	Project City, County, Zip Code: Oakland, Alameda, 94607

Project Sponsor Information:	Name: Madison Park Housing Associates II, LP (Madison Park Housing Associates II, LLC)
	Principals: Joshua Simon, Charise Fong, Jean Bridges, Jason Varas and Jill Kunishima for East Bay Asian Local Development Corporation
	Property Management Company: East Bay Asian Local Development Corporation

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: March 9, 2018
	TEFRA Adoption Date: April 9, 2018

Description of Proposed Project:	State Ceiling Pool: General
	Total Number of Units: 98
	Manager's Units: 2 Unrestricted
	Type: Acquisition and Rehabilitation
	Population Served: Family

Madison Park Apartments is an existing project located in Oakland on an approximately 80,597 gross square foot site. The project consists of 96 restricted rental units and 2 unrestricted manager units. The project has 20 studio units, 69 one-bedroom units and 9 two-bedroom units. The renovations will include building exterior and interior upgrades. Building exterior renovations will consist of life safety systems, fire escapes and elevator. Interior renovations will include corridor ventilation and pressurization, addition of a computer lab, reconfiguration of offices for resident services, improvements to plumbing features in bathrooms and ventilation and reconfiguration of the trash system. Individual apartment units will be updated with a new appliance package, countertops, cabinets, flooring and accessibility upgrades to 10% of the units. Lastly, common or site area renovations will consist of modernization to common area finishes to comply with historical building code. The rehabilitation is expected to begin in November 2018 and be completed in October 2019.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

25% (24 units) restricted to 50% or less of area median income households.

75% (72 units) restricted to 60% or less of area median income households.

Unit Mix: Studio, 1 & 2 bedroom

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:	\$ 48,972,022	
Estimated Hard Costs per Unit:	\$ 111,365	(\$10,913,788 /98 units including mgr. units)
Estimated per Unit Cost:	\$ 499,715	(\$48,972,022 /98 units including mgr. units)
Allocation per Unit:	\$ 248,536	(\$24,356,503 /98 units including mgr. units)
Allocation per Restricted Rental Unit:	\$ 253,714	(\$24,356,503 /96 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 24,251,493	\$ 8,724,000
LIH Tax Credit Equity	\$ 1,341,426	\$ 12,978,596
GP Equity	\$ 1,006,317	\$ 1,006,317
Deferred Developer Fee	\$ 3,164,626	\$ 3,164,626
Deferred Costs	\$ 3,293,644	\$ 0
Seller Carryback Loan	\$ 5,908,898	\$ 5,908,898
HCD CHRP	\$ 1,633,914	\$ 1,633,914
Net Income From Operations	\$ 0	\$ 353,302
City of Oakland ORA/NOFA Combine	\$ 6,722,990	\$ 6,722,990
Historic Tax Credit Equity	\$ 0	\$ 1,830,665
Accrued Project Reserves	\$ 1,006,317	\$ 1,006,317
Sponsor Perm Loan	\$ 0	\$ 5,000,000
Accrued Deferred Interest Combined	\$ 642,397	\$ 642,397
Total Sources	\$ 48,972,022	\$ 48,972,022

Uses of Funds:	
Land Cost/Acquisition	\$ 21,530,100
Rehabilitation	\$ 10,313,588
Relocation	\$ 1,000,000
Contractor Overhead & Profit	\$ 600,200
Architectural Fees	\$ 1,330,000
Survey and Engineering	\$ 151,000
Construction Interest and Fees	\$ 1,739,875
Permanent Financing	\$ 181,035
Legal Fees	\$ 45,000
Reserves	\$ 1,783,231
Appraisal	\$ 6,000
Hard Cost Contingency	\$ 1,628,068
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 2,999,299
Developer Costs	\$ 5,664,626
Total Uses	\$ 48,972,022

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:

82.5 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$24,356,503 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	20
Exceeding Minimum Income Restrictions:	35	15	33
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	0
Large Family Units	5	5	0
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	110	82.5