

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 15, 2019
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: \$25,297,840

Project Information:
Name: Bennett House
Project Address: 53 Taylor Drive
Project City, County, Zip Code: Fairfax, Marin, 94930

Project Sponsor Information:
Name: Mercy Housing California 84, L.P. (Mercy Housing Calwest)
Principals: Barbara Gualco, Bruce Saab, Doug Shoemaker, Ed holder, Stephan Dause, Steve Spears, Jane Graf, Val Agostino, Melissa Clayton and Joe Rosenblum for Mercy Housing Calwest
Property Management Company: Mercy Housing Management Group

Project Financing Information:
Bond Counsel: Jones Hall, A Professional Law Corporation
Private Placement Purchaser: JPMorgan Chase 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 20, 2019
TEFRA Adoption Date: April 3, 2019

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 70
Manager's Units: 1 Unrestricted
Type: Acquisition and Rehabilitation
Population Served: Family

Bennett House Apartments is an existing project located in Fairfax on a 2.54-acre site. The project consists of 69 restricted rental units and 1 unrestricted manager unit. The project has 18 studios and 52 one-bedroom units. Building exterior renovations will consist of stucco repairs, roof replacement, window replacements and a fresh coat of paint. Interior renovations will include laundry room, leasing office and community room upgrades. Individual apartment units will be updated with new appliances where needed, fixtures, paint and electrical updates. Lastly, common or site area renovations will consist of asphalt replacement and ADA updates. The rehabilitation is expected to begin in July 2019 and be completed in March 2020.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
72% (50 units) restricted to 50% or less of area median income households.
28% (19 units) restricted to 60% or less of area median income households.

Unit Mix: Studio & 1 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:	\$	42,251,232	
Estimated Hard Costs per Unit:	\$	82,856	(\$5,799,909 /70 units including mgr. units)
Estimated per Unit Cost:	\$	603,589	(\$42,251,232 /70 units including mgr. units)
Allocation per Unit:	\$	361,398	(\$25,297,840 /70 units including mgr. units)
Allocation per Restricted Rental Unit:	\$	366,635	(\$25,297,840 /69 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 25,297,840	\$ 3,479,100
Tranche B Financing	\$ 0	\$ 6,177,000
LIH Tax Credit Equity	\$ 0	\$ 13,200,976
Developer Equity	\$ 1,376,132	\$ 0
Deferred Developer Fee	\$ 0	\$ 2,474,644
Seller Carryback Loan	\$ 10,777,086	\$ 10,777,086
Sponsor Loan	\$ 0	\$ 4,000,000
Net Income From Operations	\$ 0	\$ 1,012,877
GP Existing Reserves	\$ 0	\$ 1,128,214
GP Equity	\$ 1,335	\$ 1,335
Total Sources	\$ 37,452,393	\$ 42,251,232

Uses of Funds:	
Land Cost/Acquisition	\$ 25,069,400
Rehabilitation	\$ 6,332,247
Relocation	\$ 589,300
Contractor Overhead & Profit	\$ 393,908
Architectural Fees	\$ 300,000
Construction Interest and Fees	\$ 1,906,783
Permanent Financing	\$ 111,561
Legal Fees	\$ 40,000
Reserves	\$ 556,696
Appraisal	\$ 14,500
Hard Cost Contingency	\$ 1,345,231
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 616,962
Developer Costs	\$ 4,974,644
Total Uses	\$ 42,251,232

Analyst Comments:

This project is considered a high cost per unit project. According to the Project Sponsor, the acquisition costs for this property have been affected by the Bay Area real estate market. Real estate in general has reached historically high values in this region. For this transaction, they have also seen relatively high acquisition values created by the availability of Project-Based Section 8 contracts related to the participation of the property in the HUD Housing Assistance Program. The appraiser for this transaction has factored in the additional subsidy income when valuing this property.

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:

75 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$25,297,840 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	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
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	75