

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 17, 2019
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Richard Fischer

Applicant: California Statewide Communities Development Authority

Allocation Amount Requested:
Tax-exempt: \$42,100,000

Project Information:
Name: Charter Oaks Apartment
Project Address: 3025 Browns Valley Road
Project City, County, Zip Code: Napa, Napa, 94558

Project Sponsor Information:
Name: Charter Oaks Apartments II, LP (Bayside Charter Oaks II, LLC; Charter Oaks, LLC & Community Resident Service, Inc.)
Principals: Bayside Charter Oaks II & Charter Oaks, LLC; Elizabeth Shults for Community Resident Services, Inc.
Property Management Company: FPI Management, Inc.

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Private Placement Purchaser: Citibank, N.A./Charter Oaks Associates, LP
Cash Flow Permanent Bond: Charter Oaks Associates, LP
Public Sale: Not Applicable
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Rating: Not Applicable
TEFRA Noticing Date: May 28, 2019
TEFRA Adoption Date: June 4, 2019

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 75
Manager's Units: 1 Unrestricted
Type: Acquisition and Rehabilitation
Population Served: Family

Charter Oaks Apartments is an existing project located in Napa on a 9.08-acre site. The project consists of 74 restricted rental units and 1 unrestricted managers unit. The project has 15 one-bedroom units, 44 two-bedroom units and 16 three-bedroom units. The renovations will include building exterior & interior upgrades. 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 a new kitchen appliance package, countertops, cabinets, paint and electrical LED fixture updates. Lastly, common or site area renovations will consist of concrete repairs, and asphalt replacement. The rehabilitation is expected to begin in September 2019 and will be completed in June 2020.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
42% (31 units) restricted to 50% or less of area median income households.
58% (43 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: \$ 47,593,923
Estimated Hard Costs per Unit: \$ 107,091 (\$8,031,853 /75 units including mgr. unit)
Estimated per Unit Cost: \$ 634,586 (\$47,593,923 /75 units including mgr. unit)
Allocation per Unit: \$ 561,333 (\$42,100,000 /75 units including mgr. unit)
Allocation per Restricted Rental Unit: \$ 568,919 (\$42,100,000 /74 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 32,000,000	\$ 18,962,000
Cash Flow Permanent Bonds	\$ 10,100,000	\$ 10,100,000
LIH Tax Credit Equity	\$ 1,103,000	\$ 14,541,000
Developer Equity	\$ 385,750	\$ 385,750
Deferred Developer Fee	\$ 0	\$ 3,305,173
Net Income From Operations	\$ 300,000	\$ 300,000
Total Sources	\$ 43,888,750	\$ 47,593,923

Uses of Funds:	
Land Cost/Acquisition	\$ 29,800,000
Rehabilitation	\$ 7,314,723
Relocation	\$ 700,000
Contractor Overhead & Profit	\$ 717,130
Architectural Fees	\$ 210,000
Survey and Engineering	\$ 15,000
Construction Interest and Fees	\$ 932,890
Legal Fees	\$ 284,500
Reserves	\$ 422,500
Appraisal	\$ 10,000
Hard Cost Contingency	\$ 803,185
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 578,822
Developer Costs	\$ 5,805,173
Total Uses	\$ 47,593,923

Analyst Comments:

The development costs for this project exceed the CDLAC limit of \$500,000 per unit due to the purchase price of the property and the scope of the rehabilitation work. The purchase price was determined by an appraisal of the property performed by an independent appraiser. The appraisal is included in the due diligence items. The rehabilitation scope of work is based on a Physical Needs Assessment. The construction costs are approximately \$117,802 per unit of which \$12,000 is related to seismic upgrades. The scope of work includes an extensive amount of exterior and site work which is costly. The exterior work includes 100% replacement of siding, windows and sliders; seismic upgrades across all buildings; new exterior lighting; repair of patios, balconies and elevated walkways; new landscaping, community garden improvements, and sports court update; accessibility updates to pathways, parking and trash enclosures; and replacing asphalt concrete throughout the parking lot. There will also be an extensive amount of interior work in the units performed including new cabinets, vanities, and countertops, new flooring, new appliances, new energy efficient HVAC equipment, new LED lighting package, and new low plumbing fixtures throughout. Construction costs have escalated significantly in Northern California partially due to the recent wildfires. This property was last renovated 15 years ago, and this rehab is necessary to preserve the property for another 15 years.

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:

60 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$42,100,000 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
Leveraging	10	10	0
Community Revitalization Area	5	5	0
Site Amenities	10	10	5
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	60