

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
October 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: \$22,000,000

Project Information:

Name: Hallmark House Apartments
Project Address: 531 Woodside Road
Project City, County, Zip Code: Redwood City, San Mateo, 94061

Project Sponsor Information:

Name: Hallmark 2017 LP (AHA Santa Clara MGP, LLC; Hallmark 2017 COGP LLC)
Principals: William Hirsch for AHA Santa Clara MGP, LLC; Marquis E. Hyatt for Hallmark 2017
Property Management Company: VPM Management Inc

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: January 21, 2019
TEFRA Adoption Date: February 11, 2019

Description of Proposed Project:

State Ceiling Pool: General
Total Number of Units: 72
Manager's Units: 1 Unrestricted
Type: Acquisition and Rehabilitation
Population Served: Family

Hallmark House Apartments is an existing project located in Redwood on a 0.63-acre site. The project consists of 71 restricted rental units and 1 unrestricted manager unit. The project has 2 studio units, 69 one-bedroom units and 1 two-bedroom unit. The renovations will include building exterior and interior upgrades. Building exterior renovations will consist of roof repairs and window replacements. Interior renovations will include new cabinets in offices, common areas, laundry facilities and maintenance areas. Individual apartment units will be updated with new cabinets, new doors for all units, new kitchen counters and bath counters, balconies, new flooring for all units, new refrigerators, stoves, hoods, microwaves and disposals. Lastly, common or site area renovations will consist of asphalt paving, side walk repairs, swimming pool repairs, landscaping and irrigation. The rehabilitation is expected to begin in November 2019 and be completed in November 2020.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
31% (22 units) restricted to 50% or less of area median income households.
69% (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:	\$ 26,684,688	
Estimated Hard Costs per Unit:	\$ 136,085	(\$9,798,132 /72 units including mgr. unit)
Estimated per Unit Cost:	\$ 370,621	(\$26,684,688 /72 units including mgr. unit)
Allocation per Unit:	\$ 305,556	(\$22,000,000 /72 units including mgr. unit)
Allocation per Restricted Rental Unit:	\$ 309,859	(\$22,000,000 /71 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 16,049,000	\$ 16,049,000
Tranche B Financing	\$ 5,951,000	\$ 0
LIH Tax Credit Equity	\$ 3,253,448	\$ 8,133,719
Deferred Developer Fee	\$ 0	\$ 1,851,969
Redwood City RDA Loan Assumption	\$ 650,000	\$ 650,000
Total Sources	\$ 25,903,448	\$ 26,684,688

Uses of Funds:	
Land Cost/Acquisition	\$ 7,400,000
Rehabilitation	\$ 10,742,996
Contractor Overhead & Profit	\$ 575,898
Architectural Fees	\$ 302,600
Survey and Engineering	\$ 15,000
Construction Interest and Fees	\$ 1,854,933
Permanent Financing	\$ 215,333
Legal Fees	\$ 150,000
Reserves	\$ 322,065
Appraisal	\$ 5,850
Hard Cost Contingency	\$ 1,697,834
Local Development Impact Fees	\$ 145,500
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 417,679
Developer Costs	\$ 2,839,000
Total Uses	\$ 26,684,688

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:

67.8 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$22,000,000 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	20
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	2.8
Community Revitalization Area	5	5	0
Site Amenities	10	10	10
Service Amenities	10	10	0
New Construction or Substantial Renovation	10	10	0
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	67.8