

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 11, 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
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Allocation Amount Requested:	Tax-exempt: \$9,516,772
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Project Information:	Name: Walnut Studios
	Project Address: 817 Walnut Street
	Project City, County, Zip Code: San Carlos, San Mateo, 94070

Project Sponsor Information:	Name: Walnut Street, LP (Walnut Street Charities, LLC)
	Principals: Daniel Wu for Walnut Street Charities
	Property Management Company: Charities Housing

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: August 29, 2019
	TEFRA Adoption Date: September 9, 2019

Description of Proposed Project:	State Ceiling Pool: General
	Total Number of Units: 24
	Manager's Units: 1 Unrestricted
	Type: New Construction
	Population Served: Family/Special Needs

Walnut Studios Apartments is a new construction project located in San Carlos on a .18-acre site. The project consists of 23 restricted rental units and 1 unrestricted manager unit. The project will have 23 studio units and 1 two-bedroom unit. The building will be 4 stories and wood frame type of construction. Common amenities include a community room, laundry facilities and management office. Each unit will have energy efficient kitchen appliances. The project will be pursuing Green Point Certification. The construction is expected to begin in June 2020 and to be completed in June 2021.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
78% (18 units) restricted to 50% or less of area median income households.
22% (5 units) restricted to 60% or less of area median income households.
Unit Mix: Studio & 2 bedroom

The proposed project is receiving service amenity points. The Project will offer to Project residents a bona fide service coordinator. The responsibilities are but not limited to: (a) providing tenants with information about available services in the community, (b) assisting tenants with access services through referral and advocacy, and (c) organizing community-building and/or enrichment activities for tenants (such as holiday events, tenant council, etc.).

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 15,718,605	
Estimated Hard Costs per Unit:	\$ 304,767	(\$7,314,406 /24 units including mgr. unit)
Estimated per Unit Cost:	\$ 654,942	(\$15,718,605 /24 units including mgr. unit)
Allocation per Unit:	\$ 396,532	(\$9,516,772 /24 units including mgr. unit)
Allocation per Restricted Rental Unit:	\$ 413,773	(\$9,516,772 /23 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 9,516,772	\$ 1,481,000
LIH Tax Credit Equity	\$ 633,751	\$ 6,337,505
Developer Equity	\$ 100	\$ 100
Deferred Costs	\$ 967,982	\$ 0
City of San Carlos AFH	\$ 4,000,000	\$ 7,300,000
County of San Mateo AFH	\$ 600,000	\$ 600,000
Total Sources	\$ 15,718,605	\$ 15,718,605

Uses of Funds:	
Land Cost/Acquisition	\$ 422,721
Relocation	\$ 160,000
New Construction	\$ 8,138,332
Contractor Overhead & Profit	\$ 888,156
Architectural Fees	\$ 464,061
Survey and Engineering	\$ 175,000
Construction Interest and Fees	\$ 1,196,477
Permanent Financing	\$ 31,108
Legal Fees	\$ 230,000
Reserves	\$ 128,821
Appraisal	\$ 10,000
Hard Cost Contingency	\$ 954,468
Local Development Impact Fees	\$ 340,542
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 689,633
Developer Costs	\$ 1,889,286
Total Uses	\$ 15,718,605

Analyst Comments:

This project is considered a high cost per unit project. The Project Sponsor indicated the following are the reasons for the high cost per unit; prevailing wage requirement including the Federal Davis-Bacon wages and the related reporting/monitoring requirement; construction hard and soft costs contingencies and project reserves. Included were allowances in the contractor's preliminary estimates, due to incomplete status of the drawings and for material and labor inflation prior to start of construction. Expected design changes required by the City of San Carlos prior to building permit issuance are anticipated as well as pre-construction services costs and a price increase after building permit issuance prior to construction start.

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:

85 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$9,516,772 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	0
Exceeding Minimum Income Restrictions:	35	15	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	10
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	5
New Construction or Substantial Renovation	10	10	10
Sustainable Building Methods	10	10	5
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	85