

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**April 14, 2020**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Isaac Clark III*

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**Applicant:** California Housing Finance Agency

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**Allocation Amount Requested:**  
**Tax-exempt:** \$24,642,500

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**Project Information:**  
**Name:** Light Tree Three  
**Project Address:** 1805 E. Bayshore Road  
**Project City, County, Zip Code:** East Palo Alto, San Mateo, 94303

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**Project Sponsor Information:**  
**Name:** Eden Housing, Inc. and Light Tree Three, L.P. an Eden-affiliated entity  
**Principals:** Linda Mandolini, President, Light Tree Three LLC by: Eden Dev., Inc.  
Duane Bay, Executive Director, East Palo Alto Community Alliance and  
Neighborhood Development Organization  
**Property Management Company:** Eden Housing Management, Inc.

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**Project Financing Information:**  
**Bond Counsel:** Orrick, Herrington & Sutcliffe LLP  
**Private Placement Purchaser:** US Bank  
**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 2, 2020  
**TEFRA Adoption Date:** January 22, 2020

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 57  
**Manager's Units:** 1 Unrestricted  
**Type:** Acquisition and Rehabilitation  
**Population Served:** Family

Light Tree Three Apartments is an existing project located in East Palo Alto on a 1.17-acre site. The project consists of 56 restricted rental units and 1 unrestricted manager unit. There are 14 studios, 20 one-bedroom, 14 two-bedroom flats, 2 two-bedroom townhomes, and 7 three-bedroom townhomes. The project will serve low income families with six units set aside for the homeless and transitional age youth populations. The renovations will include building exterior/interior upgrades. New construction buildings will be of Type VA wood frame with tuck-under parking. In addition to the new units, the development will provide common area amenities for residents. The project will include community gardening planters, a play structure, a basketball area, landscaped open spaces, onsite parking with bicycle storage, and laundry facilities. Individual apartment units will be updated with energy efficient appliances, new countertops, cabinets and fixtures, fresh paint and electrical updates with elevator service to allow accessibility to all floors. The project start date is May of 2020 with anticipated completion in November of 2022.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%

84% (47 units) restricted to 50% or less of area median income households.

16% (9 units) restricted to 60% or less of area median income households.

**Unit Mix:** Studio, 1, 2 & 3 bedroo

The proposed project will be receiving service amenity points.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

<b>Estimated Total Development Cost:</b>	\$ 45,068,031	
<b>Estimated Hard Costs per Unit:</b>	\$ 294,512	(\$16,787,188 /57 units including mgr. units)
<b>Estimated per Unit Cost:</b>	\$ 790,667	(\$45,068,031 /57 units including mgr. units)
<b>Allocation per Unit:</b>	\$ 432,325	(\$24,642,500 /57 units including mgr. units)
<b>Allocation per Restricted Rental Unit:</b>	\$ 440,045	(\$24,642,500 /56 restricted units)

<b>Sources of Funds:</b>	Construction	Permanent
US Bank Construction Loan (Tax-Exempt)	\$ 24,642,500	\$ 6,162,000
Cash Flow Permanent Bonds	\$ 0	\$ 0
0	\$ 0	\$ 6,621,000
Assumed San Mateo County CDBG/Land	\$ 940,460	\$ 940,460
LIH Tax Credit Equity	\$ 0	\$ 16,831,491
Seller Carryback Loan	\$ 4,273,818	\$ 4,273,818
San Mateo County Loans	\$ 2,509,467	\$ 2,509,467
Sponsor Loan	\$ 70,200	\$ 70,200
GP Equity (Sales Proceeds + Project Reserves)	\$ 2,536,414	\$ 2,536,414
Itemized Public Funds Sources	\$ 0	\$ 0
US Bank Taxable Tail Construction Loan	\$ 4,622,741	\$ 0
Deferred Developer Fee	\$ 3,267,607	\$ 3,267,607
Accrued Interest	\$ 115,293	\$ 115,293
Limited Partner Equity	\$ 727,631	\$ 1,740,281
<b>Total Sources</b>	<b>\$ 43,706,131</b>	<b>\$ 45,068,031</b>

<b>Uses of Funds:</b>	
Land Cost/Acquisition	\$ 7,500,000
Rehabilitation	\$ 20,304,817
Relocation	\$ 2,911,000
New Construction	\$ 0
Contractor Overhead & Profit	\$ 0
Architectural Fees	\$ 420,000
Survey and Engineering	\$ 744,649
Construction Interest and Fees	\$ 2,972,261
Permanent Financing	\$ 168,516
Legal Fees	\$ 181,900
Reserves	\$ 695,515
Appraisal	\$ 3,697
Hard Cost Contingency	\$ 3,451,819
Local Development Impact Fees	\$ 0
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 1,080,135
Developer Costs	\$ 4,633,722
<b>Total Uses</b>	<b>\$ 45,068,031</b>

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**Analyst Comments:**

This project is located within a HUD-designated Small Difficult to Develop Area (SDDA), which is recognized by HUD and TCAC as an area where construction costs are higher. Originally built in 1966, Light Tree Three's buildings need extensive upgrades to ensure compliance with stringent seismic requirements and ADA.

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**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.

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**Total Points:**

135 out of 145 [See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$24,642,500 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	0.00
Gross Rents	5	5	5.00
Leveraging	10	10	10.00
Community Revitalization Area	5	5	5.00
Site Amenities	10	10	10.00
Service Amenities	10	10	10.00
New Construction or Substantial Renovation	10	10	10.00
Sustainable Building Methods	10	10	10.00
Forgone Eligible Developer Fee (Competitive Allocation Process Only)	10	10	10.00
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	10.00
Negative Points (No Maximum)	-10	-10	0.00
<b>Total Points</b>	<b>145</b>	<b>125</b>	<b>135.00</b>