

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: \$55,785,000

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**Project Information:** Name: Light Tree Two  
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 Two, L.P. an Eden-affiliated entity  
Principals: Linda Mandolini, President, Light Tree Two 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: 128  
Manager's Units: 2 Unrestricted  
Type: New Construction  
Population Served: Family

Light Tree Two (LT2) Apartments is an existing project located the in East Palo Alto on a 2.22-acre site. The project consists of 126 restricted rental units and 2 unrestricted manager units. The project has 4 studios, 74 one-bedroom units, 34 two-bedroom units and 16 three-bedroom units with buildings of Type VA wood frame, over a Type IA podium. Each structure will include elevators to allow for ADA accessibility. The construction will include a new energy efficient HVAC system and a rooftop solar photovoltaic energy generation system. The project will seek Green Point Rated certification. A new security and lighting system will be installed. Interior renovations will include a laundry room, a leasing office and community room upgrades. Individual units will be updated with new energy efficient appliance packages, countertops, cabinets, fixtures, fresh paint and electrical updates. Lastly, common site area renovations will consist of concrete repairs, asphalt replacement and ADA updates. The rehabilitation project is expected to begin in May 2020 and to be completed in November of 2022.

**Description of Public Benefits:**

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

92% (116 units) restricted to 50% or less of area median income households.

8% (10 units) restricted to 60% or less of area median income households.

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

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>	\$	106,395,292	
<b>Estimated Hard Costs per Unit:</b>	\$	422,068	(\$54,024,656 /128 units including mgr. units)
<b>Estimated per Unit Cost:</b>	\$	831,213	(\$106,395,292 /128 units including mgr. units)
<b>Allocation per Unit:</b>	\$	435,820	(\$55,785,000 /128 units including mgr. units)
<b>Allocation per Restricted Rental Unit:</b>	\$	442,738	(\$55,785,000 /126 restricted units)

<b>Sources of Funds:</b>	Construction	Permanent
USB Construction Loan (Tax-Exempt)	\$ 55,785,000	\$ 14,133,000
Cash Flow Permanent Bonds	\$ 0	\$ 0
0	\$ 0	\$ 21,043,000
LISC Housing Catalyst Fund	\$ 4,000,000	\$ 4,000,000
LIH Tax Credit Equity	\$ 0	\$ 39,328,383
Seller Carryback Loan	\$ 1,962,851	\$ 1,962,851
Developmental Services / Golden Gate Regional Center	\$ 1,000,000	\$ 1,000,000
San Mateo County AHF 5.0/2019 CDBG	\$ 554,322	\$ 554,322
FHLB-AHP	\$ 1,260,000	\$ 1,260,000
Deferred Developer Fee	\$ 9,392,874	\$ 9,392,874
USB Taxable Tail Construction Loan	\$ 28,212,853	\$ 0
General Partner Equity	\$ 100	\$ 100
Accrued Interest	\$ 69,467	\$ 69,467
Limited Partner Equity	\$ 1,838,169	\$ 0
<b>Total Sources</b>	<b>\$ 104,075,636</b>	<b>\$ 92,743,997</b>

<b>Uses of Funds:</b>	
Land Cost/Acquisition	\$ 6,282,388
Rehabilitation	\$ 0
Relocation	\$ 2,419,000
New Construction	\$ 61,288,331
Contractor Overhead & Profit	\$ 0
Architectural Fees	\$ 1,250,000
Survey and Engineering	\$ 1,529,946
Construction Interest and Fees	\$ 8,113,630
Permanent Financing	\$ 325,312
Legal Fees	\$ 181,900
Reserves	\$ 1,002,549
Appraisal	\$ 8,803
Hard Cost Contingency	\$ 9,272,469
Local Development Impact Fees	\$ 1,539,920
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 1,804,285
Developer Costs	\$ 11,376,759
<b>Total Uses</b>	<b>\$ 106,395,292</b>

**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. Ground improvements will require additional foundation work to protect against liquefaction and ensure overall long-term seismic safety of the structure, adding to costs.

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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:**

125 out of 145 [See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$55,785,000 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	0
Exceeding Minimum Income Restrictions:	35	15	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	10.00
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>125.00</b>