

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
September 16, 2020
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: \$23,600,000

Project Information:

Name: Gateway at Millbrae Apartments (Site 6A)
Project Address: 200 Rollins Road
Project City, County, Zip Code: Millbrae, San Mateo, 94030

Project Sponsor Information:

Name: Bayshore Affordable, LP (Core Bayshore, LLC & Central Valley Coalition for Affordable Housing)
Principals: David Neale & Chris Neale for Core Bayshore, LLC; Alan Jenkins, Sid McIntyre, Steve Simmons, Christina Alley, Jennifer Bertuccio & Renee Downum for Central Valley Coalition for Affordable Housing
Property Management Company: John Stewart Company

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

Description of Proposed Project:

State Ceiling Pool: General
Total Number of Units: 80
Manager's Units: 1 Unrestricted
Type: New Construction
Population Served: Family

Gateway at Millbrae Apartments (Site 6A) is a new construction project located in Millbrae on a 0.54-acre site. The project will consist of 79 restricted rental units and 1 unrestricted manager unit. The project will have 34 studio units, 45 one-bedroom units, and 1 two-bedroom unit for the manager. The building will be 5-stories. Common amenities include a community space, management offices, lobby, mail area, laundry facilities and a fitness room. Each unit will have a refrigerator with icemaker, range/oven, garbage disposals, dishwashers, through-wall heating and air conditioning, patio/balcony, coat closet, ceiling fan and a walk-in closet. There will be 58 parking spaces provided. The project will be pursuing LEED Certification. The construction is expected to begin in January 15, 2021 and be completed in September 11, 2022.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

51% (40 units) restricted to 50% or less of area median income households.

49% (39 units) restricted to 60% or less of area median income households.

Unit Mix: Studio & 1 bedroom

The proposed project will be receiving service amenity points.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 46,309,294	
Estimated Hard Costs per Unit:	\$ 334,358	(\$26,748,651 /80 units including mgr. unit)
Estimated per Unit Cost:	\$ 578,866	(\$46,309,294 /80 units including mgr. unit)
Allocation per Unit:	\$ 295,000	(\$23,600,000 /80 units including mgr. unit)
Allocation per Restricted Rental Unit:	\$ 298,734	(\$23,600,000 /79 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 23,600,000	\$ 11,000,000
Taxable Bond Proceeds	\$ 11,950,000	\$ 0
LIH Tax Credit Equity	\$ 4,199,900	\$ 17,499,585
Deferred Developer Fee	\$ 0	\$ 1,000,000
Deferred Costs	\$ 1,559,644	\$ 0
City of Millbrae Loan	\$ 2,880,000	\$ 2,880,000
County of San Mateo AHF Loan	\$ 2,119,750	\$ 2,119,750
HCD AHSC Loan	\$ 0	\$ 11,809,959
Total Sources	\$ 46,309,294	\$ 46,309,294

Uses of Funds:	
Land Cost/Acquisition	\$ 1,100,000
New Construction	\$ 28,650,914
Contractor Overhead & Profit	\$ 1,130,837
Architectural Fees	\$ 406,500
Survey and Engineering	\$ 889,643
Construction Interest and Fees	\$ 3,103,638
Permanent Financing	\$ 99,500
Legal Fees	\$ 265,000
Reserves	\$ 619,865
Appraisal	\$ 10,000
Hard Cost Contingency	\$ 2,682,588
Local Development Impact Fees	\$ 2,114,807
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 1,736,002
Developer Costs	\$ 3,500,000
Total Uses	\$ 46,309,294

Analyst Comments:

This project is considered a high cost per unit project. The following have been identified by the Applicant as factors contributing to the high cost of the project: 1.) Construction costs are higher in the Bay Area than anywhere in the State. Costs have continued to rise since 2018. 2.) Higher Bay Area costs can be attributed to several factors, one being prevailing wages. Prevailing wages lead to higher construction costs, estimated to be 15% to 30%. The high cost of living leads to these prevailing wages to be higher than other areas. The high cost of living also leads to a greater difficulty in finding workers, putting upward pressure on wages. 3.) The high cost and scarcity of land leads to projects being built at higher densities than is necessary in other parts of the State. High density (5 story) requires different and more expensive construction methods than two or three-story construction. It also requires the inclusion of building systems like elevators that add to costs. 4.) This project like other projects in the Bay Area are generally infill and must integrate into existing communities. One cost of this is relatively high impact fees to pay for the impact of the project on surrounding infrastructure including schools, water and sewer systems, roads, parks, libraries, etc. These can range from \$10,000 per unit to the Millbrae project. 5.) Infill development also means that affordable housing must address local community concerns about density, development impacts, design, and other issues. This requires a thorough community outreach process to address these concerns. In the case of Millbrae project, the community and local government process has taken around 8 years to complete. This has required much redesign work and also has increased carrying costs. The design enhancements, while benefiting the project, needed also have added to the cost. 6.) The inclusion of many layers of financing adds to costs as the application and underwriting requirements of each source must be addressed separately. This pushes up the legal and consulting costs required for each source. In addition, each different source can add design standards and requirements that add to project costs.

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:

120 out of 145 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$23,600,000 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	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
Gross Rents	5	5	5
Leveraging	10	10	10
Community Revitalization Area	5	5	0
Site Amenities	10	10	10
Service Amenities	10	10	10
New Construction or Substantial Renovation	10	10	10
Sustainable Building Methods	10	10	10
Forgone Eligible Developer Fee (Competitive Allocation Process Only)	10	10	10
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	10
Negative Points (No Maximum)	-10	-10	0
Total Points	145	125	120