Agenda Item No. 7.8
Application No. 20-703

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 9, 2020
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Ken Otrotsyuk

Applicant: **California Housing Finance Agency**

Allocation Amount Requested:

Tax-exempt:	$65,000,000

Project Information:

Name:	**Gateway Family**
Project Address:	1317-1385 Willow Road
Project City, County, Zip Code:	Menlo Park, San Mateo, 94025

Project Sponsor Information:

Name:	MP Gateway Family Associates, L.P. (MP Gateway Family, LLC (Sole member/manager, Mid-Peninsula Half Moon Bay, Inc.))
Principals:	Matthew O. Franklin, Jan M. Lindenthal, Janine Lind, Mick Vergura for MP Gateway Family, LLC (Sole member/manager, Mid-Peninsula Half Moon Bay, Inc.).
Property Management Company:	MidPen Property Management Corporation

Project Financing Information:

Bond Counsel:	Orrick, Herrington & Sutcliffe LLP
Private Placement Purchaser:	Wells Fargo Bank, N.A.(construction) & CalHFA(permanent)
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 New Construction Po
Total Number of Units:	140
Manager's Units:	1 Unrestricted
Type:	New Construction
Population Served:	Family

Gateway Family is a new construction project located in Menlo Park on a 3.76-acre site. The project consists of 96 restricted rental units, 43 market rate units and 1 unrestricted managers' units. The project will have 66 one-bedroom units, 50 two-bedroom units and 24 three-bedroom units. The building will be 4 of stories and wood-frame type V construction. Common amenities include a community room and kitchen, office suite for leasing and property management staff (including meeting and file rooms), laundry room, exercise room, teen center, secured bike room, resident services office, after school program space and computer lab. Each unit will have a window blinds, cooling units, storage closets, coat closets, ceiling fans, balconies/patios and kitchens with a refrigerator, garbage disposal, stove/oven and dishwasher. There are 177 parking spaces provided. The project will be pursuing to achieve a LEED Gold rating, will be an all-electric property. Green features include a usage of advanced green building methods, recycled content materials, energy-efficient and water-efficient appliances, and drought-tolerant and native landscaping, energy-star appliances as well as energy-efficient light fixtures and water-efficient plumbing fixtures, rain gardens and bio-retention areas, drought-tolerant landscaping and drip irrigation systems, green label plus carpet and low-VOC paint will be used in the interiors of the units to improve indoor air quality and high-efficiency heating, air conditioning and assemblies. The construction is expected to begin May 2021 and be completed in March 2023.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 69%

63% (88 units) restricted to 50% or less of area median income households.

6% (8 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:	$	125,839,880	
Estimated Hard Costs per Unit:	$	492,252	($68,915,297 /140 units including mgr. units)
Estimated per Unit Cost:	$	898,856	($125,839,880 /140 units including mgr. units)
Allocation per Unit:	$	464,286	($65,000,000 /140 units including mgr. units)
Allocation per Restricted Rental Unit:	$	677,083	($65,000,000 /96 restricted units)

Sources of Funds:		Construction		Permanent
Tax-Exempt Bond Proceeds	$	65,000,000	$	47,878,000
Taxable Bond Proceeds	$	18,807,811	$	0
LIH Tax Credit Equity	$	0	$	39,426,094
GP Equity- Project Reserves	$	1,857,629	$	1,857,629
GP Equity	$	0	$	4,493,037
Deferred Developer Fee	$	0	$	5,298,963
City of Menlo Park Assumed Loan	$	3,424,341	$	3,424,341
City of Menlo Park BMR Loan	$	6,700,000	$	6,700,000
County of San Mateo AHF 3	$	250,000	$	250,000
County of San Mateo AHF 5	$	2,214,779	$	2,214,779
County of San Mateo AHF 6	$	1,500,000	$	1,500,000
County of San Mateo AHF 7 & 8	$	8,789,662	$	8,789,662
CalHFA Residual Receipts Loan	$	0	$	3,500,000
Tax Credit Investor Proceeds	$	3,953,109	$	0
Interest on soft loan during construction	$	0	$	507,375
Total Sources	$	112,497,331	$	125,839,880

Uses of Funds:		
Land Cost/Acquisition	$	11,503,516
Relocation	$	7,186,136
New Construction	$	73,063,868
Contractor Overhead & Profit	$	1,948,876
Architectural Fees	$	2,635,943
Survey and Engineering	$	1,078,197
Construction Interest and Fees	$	7,514,557
Permanent Financing	$	853,773
Legal Fees	$	65,000
Reserves	$	938,174
Appraisal	$	15,000
Hard Cost Contingency	$	3,907,521
Local Development Impact Fees	$	1,148,359
Other Project Costs (Soft Costs, Marketing, etc.)	$	1,578,961
Developer Costs	$	12,402,000
Total Uses	$	125,839,880

Analyst Comments:

This project is considered a high cost per unit project.

The primary factor for Gateway Family's high costs is the location in the San Francisco Bay Area, which is a high cost region and consistently ranks as one of the most expensive places in the nation to develop and operate real estate. While we are navigating unknowns due to the current pandemic and its impact on the global economy, our general contractor has yet to see significant decrease in construction costs or escalation. These conditions require a significant amount of site work as part of the new construction, including grading, paving, and on-site construction costs that total $75 per square foot, or $8.68M dollars. The existing 18 buildings need to be demolished before construction can start, which will cost approximately $1.025 million. Per City requirements on the project, MidPen will also be constructing significant off-site improvements - including a brand new sidewalk for pedestrians who currently have to walk through the property's existing parking lot - for a total of $1.8 million. The size of the site and length of the site building requires expansive building systems such as plumbing ($5.18 million) and electrical ($9.76 million), which will serve as the new project's only power source. The relocation budget (82 existing families for 23 moth) of approximately $7 million will cover moving expenses, security deposits, relocation consulting and rental payments for units found on the open market. The project is subject to State prevailing wages and Federal Davis-Bacon wages, which drive up the hard costs of the project by approximately 20%, or $14M.

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:

130 out of 145 **[**See Attachment A**]**

Recommendation:

Staff recommends that the Committee approves $65,000,000 in tax-exempt bond allocation on a carryforward basis.

Agenda Item No. 7.8
Application No. 20-703

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	5.00
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
Total Points	**145**	**125**	**130.00**