

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 18, 2015
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

Allocation Amount Requested:
Tax-exempt: \$4,216,000

Project Information:
Name: Madrone Village Apartments
Project Address: 712 Sycamore Lane
Project City, County, Zip Code: Petaluma, Sonoma, 94952

Project Sponsor Information:
Name: Burbank Housing Development Corporation
Principals: Charles A. Cornell, Jon M. Stark and Stuart W. Martin for Burbank Housing Development Corporation
Property Management Company: Burbank Housing Management Corporation

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, N.A.
TEFRA Adoption Date: December 1, 2014

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 22, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

Madrone Village, a 23 unit multifamily rental development, is an existing tax credit project built in 1989. The property qualifies for large family housing type with five 2BR flats, ten 2BR townhouse and seven 3BR townhouse rental units plus one 2BR townhouse manager's unit. The apartment complex is located on approximately 1.39 acres. The site slopes slightly from the parking area up towards the western and southern parts of the property. The surrounding neighborhood is mixed with single and multi-family structures as well as small commercial. Some immediate neighbors include, in addition to other houses and apartments, a cemetery and police station. The property will be substantially rehabilitated through the sale of the project to a "To Be Formed" Limited Partnership with Burbank Housing Development Corporation (BHDC) as Sole Member of the General Partner LLC. Hard construction costs are approximately \$84,753 per unit. The rehabilitation scope, totaling approximately \$1,950,000 consists of mostly nonstructural work and includes new roofs, siding, windows, insulation, exterior painting, and garage doors. The Community Room will be enlarged and some accessibility work will be completed. Unit interior work includes new kitchen and bath cabinets, appliances, humidistat bath fans, and upgraded lighting. Site lighting, perimeter fencing, paving, landscaping and irrigation will also be addressed. The tax credit/tax-exempt bond transaction is expected to close by June/July 2015.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

14% (3 units) restricted to 50% or less of area median income households.

86% (19 units) restricted to 60% or less of area median income households.

Unit Mix: 2 & 3 bedrooms

No service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 6,121,052	
Estimated Hard Costs per Unit:	\$ 83,324	(\$1,833,129 /22 units)
Estimated per Unit Cost:	\$ 278,230	(\$6,121,052 /22 units)
Allocation per Unit:	\$ 191,636	(\$4,216,000 /22 units)
Allocation per Restricted Rental Unit:	\$ 191,636	(\$4,216,000 /22 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 4,216,000	\$ 596,000
Developer Equity	\$ 100	\$ 100
LIH Tax Credit Equity	\$ 107,072	\$ 2,141,446
Direct & Indirect Public Funds	\$ 0	\$ 150,000
Other	\$ 1,797,880	\$ 3,233,506
Total Sources	\$ 6,121,052	\$ 6,121,052

Uses of Funds:	
Acquisition/Land Purchase	\$ 2,040,000
Hard Construction Costs	\$ 1,833,129
Architect & Engineering Fees	\$ 96,500
Contractor Overhead & Profit	\$ 116,193
Developer Fee	\$ 668,015
Relocation	\$ 34,500
Cost of Issuance	\$ 240,310
Capitalized Interest	\$ 128,006
Other Soft Costs (Marketing, etc.)	\$ 964,399
Total Uses	\$ 6,121,052

Description of Financial Structure and Bond Issuance:

The financial structure for the proposed project will be a private placement transaction provided by Citibank, N.A. (the "Bank") for both construction and permanent financing. The construction period bonds carry a term of 18 months plus a 6 month extension, and bear interest at a floating rate. The rate, which adjusts monthly, shall equal the one-month LIBOR rate plus a spread of 2.00% for a current all-in rate of 2.15%. The construction loan is currently being underwritten at 3.50% (2.15% plus a 1.35% cushion). The permanent period bonds will have a fixed interest rate that will be based upon market conditions at the time of permanent loan conversion. These bonds will have an even 15-year term and amortization period, and will carry an interest rate based on the 17 year LIBOR swap index plus a spread of 2.00%. They are currently underwritten at 5.75% (4.81% plus a 0.94% cushion). The bonds will be issued by the California Municipal Finance Authority.

Analyst Comments:

Not Applicable

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: 59 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$4,216,000 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
Federally Assisted At-Risk Project or HOPE VI Project	20	20	0
Exceeding Minimum Income Restrictions:	35	15	27
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project]	[10]	[10]	10
Gross Rents	5	5	5
Large Family Units	5	5	5
Leveraging	10	10	0
Community Revitalization Area	15	15	0
Site Amenities	10	10	5
Service Amenities	10	10	0
New Construction	10	10	0
Sustainable Building Methods	10	10	7
Negative Points	-10	-10	0
Total Points	130	100	59

The criteria for which points are awarded will also be incorporated into the Resolution transferring Allocation to the Applicant as well as the appropriate bond documents and loan and finance agreements.