

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 16, 2015
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Devon King

Applicant: County of Contra Costa

Allocation Amount Requested:
Tax-exempt: \$29,476,000

Project Information:
Name: East Bluff Apartments
Project Address: 1813 Marlesta Court
Project City, County, Zip Code: Pinole, Contra Costa, 94564

Project Sponsor Information:
Name: EB, L.P. (EB, LLC)
Principals: John Gaffney, Timothy Silva, Janet Lockhart, Jim Kennedy, and
Linda Mandolini for EB, LLC
Property Management Company: Eden Housing Management, Inc

Project Financing Information:
Bond Counsel: Quint & Thimmig LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Wells Fargo Bank N.A.
TEFRA Adoption Date: November 3, 2015

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 142, plus 2 manager units
Type: Acquisition and Rehabilitation
Type of Units: Family

East Bluff is a 4% Federal tax credit and tax-exempt bond project. East Bluff is a 144-unit family affordable housing development built in 1973 in a residential neighborhood characterized by single-family housing and low-rise apartment buildings. The project is an acquisition-rehabilitation of existing, occupied buildings. The property is a mix of studios, 1-bedroom and 2-bedroom units across approximately 8.14 acres. The site amenities includes two laundry rooms, a pool, a leasing office, and a computer room. In order to address the capital needs of the project, Eden is proposing a scope of work that includew the following; roof replacement, remove and replace siding, replacing windows and sliding glass doors, repairing and/or replacing stairs, repairing, replacing, and/or removing balconies and decks, improving site energy efficiency by 10% over current, upgrading HVAC, mechanical and electrical systems, installing a solar energy photo photovoltaic system that offsets at least 50% of common area load or covers 90% of accessible roof area, retrofitting irrigation system, removing lawn where possible and replacing with drought resistant landscaping, installing a greywater system at the laundry rooms update 10% of the units to include accessibility features for mobility and 4% of the units to include communications features, path of travel repairs, repairs to accessible ramps as needed, improvements to common area to ensure code compliance replace and upgrade interior finishes including lighting, flooring, cabinets and countertops, Anticipated construction period is from March 2016 to December 2017.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

49% (70 units) restricted to 50% or less of area median income households.

51% (72 units) restricted to 60% or less of area median income households.

Unit Mix: Studio, 1 & 2 bedrooms

The proposed project will not be providing service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	49,804,610	
Estimated Hard Costs per Unit:	\$	15,540	(\$2,206,710 /142 units)
Estimated per Unit Cost:	\$	350,737	(\$49,804,610 /142 units)
Allocation per Unit:	\$	207,577	(\$29,476,000 /142 units)
Allocation per Restricted Rental Unit:	\$	207,577	(\$29,476,000 /142 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 29,476,000	\$ 6,662,000
Seller Carryback	\$ 9,722,067	\$ 9,722,067
LIH Tax Credit Equity	\$ 2,008,955	\$ 20,093,170
Direct and Indirect Public Funds	\$ 4,884,484	\$ 4,884,484
Other(Eden- Seller Take Back- Acc/Def Interest	\$ 459,854	\$ 459,854
Other(GP Equity Existing Reserves)	\$ 405,475	\$ 405,475
Other(City of Pinole Loan- Acc/Def Interest)	\$ 133,336	\$ 133,336
Costs Deferred until Perm Closing	\$ 1,875,188	\$ 0
Other (Income from Operations prior to Conversion	\$ 0	\$ 744,224
Other (Eden Perm Loan)	\$ 0	\$ 5,000,000
Developer Equity	\$ 0	\$ 860,749
Deferred Developer Fee	\$ 839,251	\$ 839,251
Total Sources	\$ 49,804,610	\$ 49,804,610

Uses of Funds:	
Acquisition/Land Purchase	\$ 22,500,000
Hard Construction Costs	\$ 12,777,000
Architect & Engineering Fees	\$ 1,122,900
Contractor Overhead & Profit	\$ 1,572,060
Developer Fee	\$ 2,500,000
Legal Fees	\$ 101,900
Relocation	\$ 1,366,163
Cost of Issuance	\$ 616,565
Operating Reserve	\$ 566,819
Construction and Permanent Financing	\$ 1,921,540
Other(Construction Contingency)	\$ 2,207,100
Other Soft Costs (Marketing, etc.)	\$ 2,552,563
Total Uses	\$ 49,804,610

Description of Financial Structure and Bond Issuance:

The proposed financial structure of the bond transaction will be a private placement by Wells Fargo Bank N.A. During the construction financing phase the loan term will be for 30 months with a variable interest rate equal to 1.75% above Lender's quoted one month LIBOR Rate. During the permanent financing phase, the loan term will be for 18 years with an amortization period of 35 years at a variable rate of interest based on a 15 year AAA Municipal Bond Rate plus 185 bps. There was no underwritten rate provided.

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: 65.5 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$29,476,000 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
Federally Assisted At-Risk Project or HOPE VI Project	20	20	0
Exceeding Minimum Income Restrictions:	35	15	35
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	0
Leveraging	10	10	4.5
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	6
Negative Points	-10	-10	0
Total Points	130	100	65.5

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.