

California Housing Finance Agency (“CalHFA”)

February 2, 2020

Staff Report for Discussion

Tax-Exempt & Taxable Conduit Issuance and Mixed Income Program Loan (“MIP”)

CalHFA Project Number: 19-019-A/X

Purpose: Staff is providing Glen Loma Ranch’s staff report that was approved by Senior Loan Committee (Executive Director) on January 16, 2020 under resolution 19-02 for discussion.

Borrower: Gilroy Glen Loma Pacific Associates, a California Limited Partnership

Loan Amount(s):

CalHFA Conduit Issuance Amounts (TE/taxable): \$33,000,000 T/E, \$27,000,000 Taxable, and \$15,000,000 T/E (B series)

Perm Loan Amount (& Lender): \$33,000,000 - Citibank

Perm Loan Term: 40 year amortized, due in 30

CalHFA MIP Loan Amount: \$7,850,000 (\$50,321/unit)

Project Information:

Name: Glen Loma Ranch

Address: N.W. Corner of W. Luchessa Ave & Miller Ave., Gilroy, 95020

City, County, Zip Code: Gilroy, Santa Clara County, 9020

Project Description, # of Units, Types and Restrictions: The Project is a mixed-income family and senior project consists of 158 total units, which comprise of 1, 2 and 3-bedroom units that will be restricted between 50% to 80% of AMI. There will be 77 senior units (1 and 2-bedrooms), 79 family units (2 and 3 bedrooms), and two non-restricted manager’s units. The project offers a community building with fitness and computer rooms, offices and meeting space, a laundry building, picnic and play areas, a half-basketball court, fenced dog park and a bocce ball court

Development Team:

Pacific West Communities (“PWC”) is a real estate development company specializing in design, development and construction of affordable housing in the western United States. The company has developed 169 affordable multifamily projects since its

inception in 1998. PWC completes about 10 projects a year and there are currently 16 projects under construction. Caleb Roope is President and CEO of PWC and has considerable experience with financing structures which include tax credits, bonds, HOME, MHP, CDBG and other state, local and federal sources.

Property Management Company: Aperto Property Management Inc. (“APM”) will be the property manager for this Project. APM has a broad experience managing market rate and affordable tax credit projects. APM manages 63 tax credit projects in California totaling over 6,100 units, five of which are in the CalHFA portfolio and are operating well. APM’s services include marketing, leasing, property maintenance/preservation, accounting/financial reporting, resident services, and affordable housing compliance.

General Contractor: Pacific West Builders (“PWB”), formed in 2003, is the construction arm of PWC and will be the general for this project as well. PWB has built 70% of the projects developed by PWC and currently has 11 projects in construction. PWB specializes in energy-efficient multifamily, single-family and modular construction.

Architect: Pacific West Architecture (“PWA”) is the architect for this project. PWA is an affiliate of the Developer and has designed over 80 multifamily projects. PWA is licensed in 18 states in western United States. PWA has built residential projects including workforce, senior, assisted living housing projects, as well as commercial and retail developments. PWA’s services include entitlements, master use planning, design development, construction documentation and contract administration.

Affordability Restrictions & Term: This Project provides 158 units of much needed rental housing that will remain affordable at rents ranging from 50% AMI to 120% of AMI for 55 years. The MIP funds will restrict 10% of the units (16 units) to 50% of AMI or less, 10% of units (16 units) to 80% of AMI or less, 10% of the units between 81% to 120% of AMI, and the remaining 108 units to 120% AMI or less for 55 years.

Affordability Restriction Summary Table

Regulating Agency	50% AMI	60% AMI	80% AMI	81%-120% AMI	<= 120%	Mgrs. Unit	Total Units Regulated	% of Regulated Units
CalHFA Bond Reg. Agrmt.	16	47				2	63	39.9%
CalHFA MIP Reg Agrmt.	16		16	16	108	2	156	98.7%
City of Gilroy	76	42	38			2	156	70.9%
Tax Credits	76	42	38			2	156	88.6%

Rent Limit Summary Table							
Restrictions @ AMI	Total	Studio	1-bd	2-bd	3-bd	4-bd	% of Total
30%	0	-	-	-	-	-	0.0%
40%	0	-	-	-	-	-	0.0%
50%	76	-	22	30	24	-	48.1%
60%	42	-	11	17	14	-	26.6%
70%	0	-	-	-	-	-	0.0%
80%	38	-	28	8	2	-	24.1
81%-120%	0	-	-	-	-	-	0.0%
120% or below	0	-	-	-	-	-	0.0%
Manager's Unit	2	-	-	2	-	-	1.3%
Total	158	0	61	57	40	0	100.0%

Note: The affordability averages 60% of AMI.

Staff Comments & Project Status: MIP Program Documents require that projects “be prepared to submit CLDAC and TCAC by no later than December 2019 CDLAC allocation meeting”. MIP Program Documents also limit the maximum amount of MIP subordinate financing to \$5 million (subject to exception that could increase the financing to no more than an additional \$1 million). Project was preliminarily approved by Agency for MIP financing with an anticipation to access the new State Tax Credits subsequently approved pursuant to Assembly Bill 101, which was signed by Governor Gavin Newsom in July 2019. CDLAC subsequently announced bond allocation for the remainder of 2019 would be allocated on a first come first serve basis and that the allocation in 2020 would be competitive. TCAC decided they would not allocate the new State Tax Credits until 2020 resulting in the projects receiving 2019 CDLAC allocation being ineligible for the new State Tax Credits. The inability to access the new State Tax Credits results in significant financing gaps for projects. For this Project, staff recommended and Board approved under resolution 19-19 that the maximum amount of MIP subordinate financing per project is lifted such that all MIP eligible units may receive MIP subsidy, respectively as the Agency determines to be necessary to offset the loss of State Tax Credits.

Underwriting standard/term sheet variation for MIP subordinate loan:

- The MIP loan per unit is \$49,683 which exceeds the term sheet maximum of \$40,000 for a project with affordability levels between 30% to 120% AMI. This is an exception to Policy and is recommended by Multi-Family Underwriting and Credit Staff based on the following: approval facilitates the progression of a shovel ready project without delay; the project has received a CDLAC Bond Allocation in December 2019; the higher amount of MIP/unit allows the Developer to eliminate their state tax credit request and financing gap.
- The MIP term sheet requires repayment of the MIP loan to be 50% of net cash flow and of that 50%, subordinate lenders share on a pro-rata basis. It also allows for deferment of repayment for up to 15 years. Therefore, request is made to defer payments to the MIP loan until the developer fee is paid off, estimated to be in year 12 after which time the MIP loan will be repaid by 12.5% of net cash flow.

Attachments:

Project Financing Summary

Project Sources & Uses of Funds

Project Cashflow

PROJECT SUMMARY			Final Commitment			
Acquisition, Rehab, Construction & Permanent Loans			Project Number 19-019-A/X			
Project Full Name	Glen Loma Ranch	Borrower Name:	Gilroy Glen Loma Pacific Associates			
Project Address	N.W. Corner of W. Luchessa Ave & Miller	Managing GP:	Caleb Roope			
Project City	Gilroy	Developer Name:	Pacific West Communities, Inc.			
Project County	Santa Clara	Investor Name:	Boston Capital			
Project Zip Code	95020	Prop Management:	Aperto Property Management, Inc.			
		Tax Credits:	4			
Project Type:	Mixed Income Loan Only (Conduit Perm Loan)	Total Land Area (acres):	9.58			
Tenancy/Occupancy:	Fam/Sen	Residential Square Footage:	122,029			
Total Residential Units:	158	Residential Units Per Acre:	16.49			
Total Number of Buildings:	12	Covered Parking Spaces:	158			
Number of Stories:	1 to 3	Total Parking Spaces:	272			
Unit Style:	Flat					
Elevators:	1					
Acq/Construction/Rehab Financing		Loan Amount (\$)	Loan Fees	Loan Term (Mo.)	Amort. Period (Yr.)	Starting Interest Rate
Citibank, N.A.		60,000,000	1.000%	24	--	4.750%
Bonneville "B Bonds"		15,000,000	0.550%	24	--	8.000%
--		--	--	--	--	--
Investor Equity Contribution		1,425,973	--	--	--	--
Permanent Financing		Loan Amount (\$)	Loan Fees	Loan Term (Yr.)	Amort. Period (Yr.)	Starting Interest Rate
MIP		7,850,000	1.000%	55	--	3.000%
Conduit First Lien Loan-Citibank		33,000,000	--	30	40	4.150%
Bonneville "B Bonds"		15,000,000	--	45	45	5.000%
--		--	--	--	45	--
Deferred Developer Fees		5,940,000	NA	NA	NA	NA
--		--	NA	NA	NA	NA
Investor Equity Contributions		25,182,721	NA	NA	NA	NA
Appraised Values Upon Completion of Rehab/Construction						
Appraisal Date:	TBD	Capitalization Rate:				TBD
Investment Value (\$)	TBD	Restricted Value (\$)				TBD
Construct/Rehab LTC	TBD	CalHFA Permanent Loan to Cost				TBD
Construct/Rehab LTV	TBD	CalHFA 1st Permanent Loan to Value				TBD
		Combined CalHFA Perm Loan to Value				TBD
Additional Loan Terms, Conditions & Comments						
<u>Construction/Rehab Loan</u>						
Payment/Performance Bond						0
Completion Guarantee Letter of Credit						0.00%
<u>Permanent Loan</u>						
Operating Expense Reserve Deposit	\$0	Cash				
Initial Replacement Reserve Deposit	\$0	Cash				
Annual Replacement Reserve Per Unit	\$250	Cash				
Date Prepared:	12/10/19	Senior Staff Date:				1/22/20

SOURCES & USES OF FUNDS			Final Commitment		
Glen Loma Ranch			Project Number 19-019-A/X		
SOURCES OF FUNDS	CONST/REHAB \$	PERMANENT \$	TOTAL PROJECT SOURCES OF FUNDS		
			SOURCES (\$)	PER UNIT (\$)	%
Citibank, N.A.	60,000,000				0.0%
Bonneville "B Bonds"	15,000,000				0.0%
-	-				0.0%
-	-				0.0%
-	-				0.0%
-	-				0.0%
-	-				0.0%
-	-				0.0%
-	-				0.0%
-	-				0.0%
Construct/Rehab Net Oper. Inc.	-				0.0%
Deferred Developer Fee	-				0.0%
Developer Equity Contribution	-				0.0%
Investor Equity Contribution	1,425,973				0.0%
MIP		7,850,000	7,850,000	49,684	9.0%
-		-	-	-	0.0%
-		-	-	-	0.0%
-		-	-	-	0.0%
Conduit First Lien Loan-Citibank		33,000,000	33,000,000	208,861	37.9%
Bonneville "B Bonds"		15,000,000	15,000,000	94,937	17.2%
-		-	-	-	0.0%
-		-	-	-	0.0%
-		-	-	-	0.0%
-		-	-	-	0.0%
-		-	-	-	0.0%
-		-	-	-	0.0%
Construct/Rehab Net Oper. Inc.		-	-	-	0.0%
Deferred Developer Fees		5,940,000	5,940,000	37,595	6.8%
Developer Equity Contribution		-	-	-	0.0%
Investor Equity Contributions		25,182,721	25,182,721	159,384	29.0%
TOTAL SOURCES OF FUNDS	76,425,973	86,972,721	86,972,721	550,460	64.2%
TOTAL USES OF FUNDS (BELOW)	76,425,973	86,972,721	86,972,721	550,460	100.0%
FUNDING SURPLUS (DEFICIT)	-	-	-	-	-

USES OF FUNDS	CONST/REHAB \$	PERMANENT \$	TOTAL PROJECT USES OF FUNDS		
			USES (\$)	PER UNIT (\$)	%
CONSTRUCTION/REHAB SOURCES OF FUNDS		76,425,973			
ACQUISITION COSTS					
Lesser of Land Cost or Appraised Value	-	-	-	-	0.0%
Demolition Costs	-	-	-	-	0.0%
Legal & Other Closing Costs	-	-	-	-	0.0%
Escrow & other closing costs	-	-	-	-	0.0%
Verifiable Carrying Costs	-	-	-	-	0.0%
Existing Improvements Value	-	-	-	-	0.0%
Delinquent Taxes Paid @ Closing	-	-	-	-	0.0%
CalHFA Yield Maintenance Paid @ Closing	-	-	-	-	0.0%
Existing Replacement Reserve	-	-	-	-	0.0%
Broker Fees Paid to Related Party	-	-	-	-	0.0%
Other (Off-site improvements)	5,310,000	-	5,310,000	33,608	6.1%
Other (Specify)	-	-	-	-	0.0%
TOTAL ACQUISITION COSTS	5,310,000	-	5,310,000	33,608	6.1%
CONSTRUCTION/REHAB COSTS					
Offsite Improvements	-	-	-	-	0.0%
Environmental Remediation (Hard Costs)	-	-	-	-	0.0%
Site Work (Hard Cost)	5,056,000	-	5,056,000	32,000	5.8%
Structures (Hard Cost)	39,382,510	-	39,382,510	249,256	45.3%
General Requirements	2,984,911	-	2,984,911	18,892	3.4%
Contractor Overhead	1,054,666	-	1,054,666	6,675	1.2%
Contractor Profit	3,164,005	-	3,164,005	20,025	3.6%
Contractor Bond	-	-	-	-	0.0%
Contractor Liability Insurance	-	-	-	-	0.0%
Personal Property	-	-	-	-	0.0%
HVAC/Resident Damage	-	-	-	-	0.0%
TOTAL CONSTRUCT/REHAB COSTS	51,642,092	-	51,642,092	326,849	59.4%

SOURCES & USES OF FUNDS			Final Commitment		
Glen Loma Ranch			Project Number 19-019-A/X		
USES OF FUNDS	CONST/REHAB \$	PERMANENT \$	TOTAL PROJECT USES OF FUNDS		
			USES (\$)	PER UNIT (\$)	%
RELOCATION COSTS					
Relocation Expense	-	-	-	-	0.0%
Relocation Compliance Monitoring	-	-	-	-	0.0%
Other (Specify)	-	-	-	-	0.0%
TOTAL RELOCATION COSTS	-	-	-	-	0.0%
ARCHITECTURAL FEES					
Design	400,000	-	400,000	2,532	0.5%
Supervision	100,000	-	100,000	633	0.1%
TOTAL ARCHITECTURAL FEES	500,000	-	500,000	3,165	0.6%
SURVEY & ENGINEERING FEES					
Engineering	250,000	-	250,000	1,582	0.3%
Supervision	-	-	-	-	0.0%
ALTA Land Survey	-	-	-	-	0.0%
TOTAL SURVEY & ENGINEERING FEES	250,000	-	250,000	1,582	0.3%
CONTINGENCY RESERVES					
Hard Cost Contingency Reserve	2,850,000	-	2,850,000	18,038	3.3%
Soft Cost Contingency Reserve	800,000	-	800,000	5,063	0.9%
TOTAL CONTINGENCY RESERVES	3,650,000	-	3,650,000	23,101	4.2%
CONSTRUCT/REHAB PERIOD COSTS					
Loan Interest Reserve					
Citibank, N.A.	2,550,000	1,000,000	3,550,000	22,468	4.1%
Bonneville "B Bonds"	2,400,000	-	2,400,000	15,190	2.8%
-	-	-	-	-	0.0%
-	-	-	-	-	0.0%
-	-	-	-	-	0.0%
Loan Fees					
Citibank, N.A.	600,000	-	600,000	3,797	0.7%
Bonneville "B Bonds"	82,500	-	82,500	522	0.1%
-	-	-	-	-	0.0%
-	-	-	-	-	0.0%
-	-	-	-	-	0.0%
Other Const/Rehab Period Costs					
Deficit Const/Rehab NOI (Net Operating In	-	-	-	-	0.0%
Credit Enhancement & Application Fees	150,000	-	150,000	949	0.2%
Owner Paid Bonds/Insurance	-	-	-	-	0.0%
CalHFA Inspection Fees	-	-	-	-	0.0%
Real Estate Taxes During Rehab	80,000	-	80,000	506	0.1%
Completion Guaranty Fee	-	-	-	-	0.0%
Wage Monitoring Fee (Davis Bacon, Preva	-	-	-	-	0.0%
Insurance During Rehab	897,000	-	897,000	5,677	1.0%
Title & Recording Fees	80,000	-	80,000	506	0.1%
Construction Management & Testing	-	-	-	-	0.0%
Predevelopment Interest Expense	-	-	-	-	0.0%
Bond Issuer Fee	95,000	-	95,000	601	0.1%
Construction Lender Costs (Legal, etc), Bo	100,000	-	100,000	633	0.1%
TOTAL CONST/REHAB PERIOD COSTS	7,034,500	1,000,000	8,034,500	50,851	9.2%

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Glen Loma Ranch			Project Number 19-019-A/X		
USES OF FUNDS	CONST/REHAB \$	PERMANENT \$	TOTAL PROJECT USES OF FUNDS		
			USES (\$)	PER UNIT (\$)	%
PERMANENT LOAN COSTS					
Loan Fees					
CalHFA Application Fee	10,000	-	10,000	63	0.0%
MIP	39,250	39,250	78,500	497	0.1%
-	-	-	-	-	0.0%
-	-	-	-	-	0.0%
-	-	-	-	-	0.0%
Conduit First Lien Loan-Citibank	-	-	-	-	0.0%
Bonneville "B Bonds"	-	-	-	-	0.0%
-	-	-	-	-	0.0%
-	-	88,140	88,140	558	0.1%
Credit Enhancement & Application Fees	-	-	-	-	0.0%
Title & Recording (closing costs)	-	30,000	30,000	190	0.0%
Year 1 - Taxes & Special Assessments and Insurance	-	-	-	-	0.0%
CalHFA Fees	-	11,860	11,860	75	0.0%
Tax Exempt Bond Allocation Fee	85,000	-	85,000	538	0.1%
Other (Bond Counsel, Financial Advisor, Etc.)	130,252	-	130,252	824	0.1%
TOTAL PERMANENT LOAN COSTS	264,502	169,250	433,752	2,745	0.5%
LEGAL FEES					
CalHFA Construction/Rehab Loan Legal Fees	-	-	-	-	0.0%
Other Construction/Rehab Loan Legal Fees	-	-	-	-	0.0%
CalHFA Permanent Loan Legal Fees	-	15,000	15,000	95	0.0%
Other Permanent Loan Legal Fees	-	-	-	-	0.0%
Sponsor Legal Fees	-	-	-	-	0.0%
Organizational Legal Fees	-	-	-	-	0.0%
Syndication Legal Fees	30,000	-	30,000	190	0.0%
Borrower Legal Fee	100,000	-	100,000	633	0.1%
CalHFA Bond Counsel	50,000	-	50,000	316	0.1%
TOTAL LEGAL FEES	180,000	15,000	195,000	1,234	0.2%
OPERATING RESERVES					
Operating Expense Reserve Deposit	-	-	-	-	0.0%
Initial Replacement Reserve Deposit	-	-	-	-	0.0%
Transition Operating Reserve Deposit	-	-	-	-	0.0%
Rent-Up Reserve Deposit	-	-	-	-	0.0%
HOME Program Replacement Reserve	-	-	-	-	0.0%
Investor Required Reserve -Post Construction Inter	-	696,748	696,748	4,410	0.8%
Other (Specify)	-	-	-	-	0.0%
TOTAL OPERATING RESERVES	-	696,748	696,748	4,410	0.8%
REPORTS & STUDIES					
Appraisal Fee	10,000	-	10,000	63	0.0%
Market Study Fee	10,000	-	10,000	63	0.0%
Physical Needs Assessment Fee	-	-	-	-	0.0%
Environmental Site Assessment Reports	7,500	-	7,500	47	0.0%
HUD Risk Share Environmental / NEPA Review Fee	-	-	-	-	0.0%
CalHFA Earthquake Waiver Review Fee	-	-	-	-	0.0%
Relocation Consultant	-	-	-	-	0.0%
Soils Reports	-	-	-	-	0.0%
Acoustical Reports	-	-	-	-	0.0%
Termite/Dry Rot	-	-	-	-	0.0%
Consultant/Processing Agent	-	-	-	-	0.0%
Other (Specify)	-	-	-	-	0.0%
TOTAL REPORTS & STUDIES	27,500	-	27,500	174	0.0%

SOURCES & USES OF FUNDS			Final Commitment		
Glen Loma Ranch			Project Number 19-019-A/X		
USES OF FUNDS	CONST/REHAB \$	PERMANENT \$	TOTAL PROJECT USES OF FUNDS		
			USES (\$)	PER UNIT (\$)	%
OTHER COSTS					
TCAC Application, Allocation & Monitor Fees	93,335	-	93,335	591	0.1%
CDLAC Fees	26,250	-	26,250	166	0.0%
Local Permits & Fees	560,000	-	560,000	3,544	0.6%
Local Impact Fees	6,292,439	-	6,292,439	39,826	7.2%
Other Local Fees	-	-	-	-	0.0%
Syndicator/Investor Fees & Expenses	-	-	-	-	0.0%
Furnishings	80,000	-	80,000	506	0.1%
Accounting & Audits	10,000	-	10,000	63	0.0%
Advertising & Marketing Expenses	171,105	-	171,105	1,083	0.2%
Financial Consulting	-	-	-	-	0.0%
Miscellaneous Administrative Fees	-	-	-	-	0.0%
HUD Risk Share Insurance (First Year Prepaid)	-	-	-	-	0.0%
Other (Specify): Special Counsel & Servicing Cost	-	-	-	-	0.0%
Other (Specify)	-	-	-	-	0.0%
TOTAL OTHER COSTS	7,233,129	-	7,233,129	45,779	8.3%
SUBTOTAL PROJECT COSTS					
	76,091,723	78,306,971	77,972,721	493,498	89.7%
DEVELOPER FEES & COSTS					
Developer Fees, Overhead & Profit	334,250	8,665,750	9,000,000	56,962	10.3%
Consultant Processing Agent	-	-	-	-	0.0%
Project Administration	-	-	-	-	0.0%
Syndicator Consultant Fees	-	-	-	-	0.0%
Guarantee Fees	-	-	-	-	0.0%
Construction Oversight & Management	-	-	-	-	0.0%
Other Administration Fees	-	-	-	-	0.0%
Other (Specify) correction to balance	-	-	-	-	0.0%
CASH EQUITY OUT TO DEVELOPER	-	-	-	-	0.0%
TOTAL DEVELOPER FEES & COSTS	334,250	8,665,750	9,000,000	56,962	10.3%
TOTAL PROJECT COSTS					
	76,425,973	86,972,721	86,972,721	550,460	100.0%

