

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
September 28, 2011
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Crystal Alvarez

Applicant: City of San Jose

Allocation Amount Requested:
Tax-exempt: \$7,298,412

Project Information:
Name: 3rd Street Residential Development Apartments
Project Address: 1010 S. 3rd Street
Project City, County, Zip Code: San Jose, Santa Clara, 95112

Project Sponsor Information:
Name: 3rd Street Residential Development, L.P. (Global Premier Development, Inc. and Foundation for Affordable Housing V, Inc.)
Principals: Andrew Hanna for Global Premier Development, Inc.; Deborah A. Willard for Foundation for Affordable Housing V, Inc.
Property Management Company: Buckingham Property Management

Project Financing Information:
Bond Counsel: Hawkins, Delafield & Wood LLP
Private Placement Purchaser: Nara Bank
TEFRA Hearing Date: July 29, 2011

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 36, plus 1 manager unit
Type: New Construction
Type of Units: Family

The proposed site acreage is approximately .71 acres that will be developed as a 37-unit family apartments community. The award-winning John Ha Innovative Design Architecture designed the project. The development is a large family rental housing project that will consist of 1 three story building, including a recreational center which contains the office and manager's unit.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
47% (17 units) restricted to 50% or less of area median income households.
53% (19 units) restricted to 60% or less of area median income households.
Unit Mix: 1, 2 & 3 bedrooms

The project have a Recreation Center is designed to support families by offering educational programs for a period of ten years.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 13,003,685	
Estimated Hard Costs per Unit:	\$ 141,100	(\$5,079,600 /36 units)
Estimated per Unit Cost:	\$ 361,213	(\$13,003,685 /36 units)
Allocation per Unit:	\$ 202,734	(\$7,298,412 /36 units)
Allocation per Restricted Rental Unit:	\$ 202,734	(\$7,298,412 /36 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 7,298,412	\$ 4,037,034
Deferred Developer Fee	\$ 1,275,475	\$ 1,182,856
LIH Tax Credit Equity	\$ 838,498	\$ 4,192,495
Direct & Indirect Public Funds	\$ 2,191,300	\$ 2,191,300
Seller Note	\$ 1,400,000	\$ 1,400,000
Total Sources	\$ 13,003,685	\$ 13,003,685

Uses of Funds:	
Land Purchase	\$ 2,875,000
On & Off Site Costs	\$ 1,591,000
Hard Construction Costs	\$ 3,488,600
Architect & Engineering Fees	\$ 385,000
Contractor Overhead & Profit	\$ 402,368
Developer Fee	\$ 1,275,475
Cost of Issuance	\$ 401,349
Capitalized Interest	\$ 310,000
Other Soft Costs (Marketing, etc.)	\$ 2,274,893
Total Uses	\$ 13,003,685

Description of Financial Structure and Bond Issuance:

The tax-exempt bonds are being privately placed by NARA Bank. During the 24-month construction phase the bonds will bear interest at a rate equal to the greater of wall street plus 2% or a floor of 5.70% as the date the loan documents are finalized. Upon conversion to the permanent financing phase the bonds will be paid down and shall bear interest at a rate equal to the greater of a floor of 5.70% amortized over 35 years with a 15 year term. Additional funding sources consist of a tax-credit investor, Department of Housing and Community Development Infill Grant and a CalRe Use Grant.

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:

90 out of 118

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$7,298,412 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	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	5
Leveraging	10	10	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	10
Service Amenities	10	10	5
New Construction	10	10	10
Sustainable Building Methods	8	8	0
Negative Points	-10	-10	0
Total Points	118	98	90

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.