

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 18, 2012
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Annie Ong

Applicant: Housing Authority of the County of Santa Clara

Allocation Amount Requested:
Tax-exempt: \$12,100,000

Project Information:
Name: Villa Garcia Apartments
Project Address: 7213 Clarendon Street
Project City, County, Zip Code: San Jose, Santa Clara, 95129

Project Sponsor Information:
Name: Clarendon St., LP (Villa Garcia, Inc.)
Principals: Villa Garcia, Inc.: Alex Sanchez, Vanessa Cooper, and Louise Hofmeister
Property Management Company: The John Stewart Company

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Bank of America, N.A.
TEFRA Hearing Date: May 1, 2012

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 79, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

The Project is an established rental community with 80 apartments ranging in size from studios to four-bedrooms. It was originally constructed in 1972. The total site is 3.08 acres and is rectangular in shape and level. There are 11 two-story buildings; 10 are residential buildings, each of which includes eight units and a community room. The target population is a mix of family types. The scope of rehabilitation work includes replacing the central boilers with individual unit systems, improving the community center, and relocating the manager's unit. Construction is planned to commence in December 2012 and to be completed by December 2013.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (79 units) restricted to 50% or less of area median income households.
Unit Mix: Studio, 1, 2, 3 & 4 bedrooms

Services amenities to be offered include after school programs, a bona fide service coordinator/social worker, and instructor-led classes (education, health, and wellness or skill building classes).

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	25,037,516	
Estimated Hard Costs per Unit:	\$	92,852	(\$7,335,293 /79 units)
Estimated per Unit Cost:	\$	316,931	(\$25,037,516 /79 units)
Allocation per Unit:	\$	153,165	(\$12,100,000 /79 units)
Allocation per Restricted Rental Unit:	\$	153,165	(\$12,100,000 /79 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 12,100,000	\$ 5,609,000
Developer Equity	\$ 0	\$ 75,156
LIH Tax Credit Equity	\$ 150,000	\$ 9,103,360
Direct & Indirect Public Funds	\$ 10,250,000	\$ 10,250,000
Total Sources	\$ 22,500,000	\$ 25,037,516

Uses of Funds:	
Acquisition/Land Purchase	\$ 10,500,000
On & Off Site Costs	\$ 770,546
Hard Construction Costs	\$ 6,564,747
Architect & Engineering Fees	\$ 692,000
Contractor Overhead & Profit	\$ 1,039,548
Developer Fee	\$ 1,673,466
Relocation	\$ 500,000
Cost of Issuance	\$ 271,422
Capitalized Interest	\$ 379,028
Other Soft Costs (Marketing, etc.)	\$ 2,646,759
Total Uses	\$ 25,037,516

Description of Financial Structure and Bond Issuance:

The financial structure will be private placement. Bank of America, N.A. will partially fund the Project by purchasing \$12,100,000 of tax-exempt bonds. The interest rate for the conversion loan will bear interest at a fluctuating rate of interest equal to BBA LIBOR Daily Floating Rate plus 1.95% per annum. The note rate if determined today would be 3.20%. The permanent loan will be in two tranches. The fixed rate will be determined immediately prior to bond closing based upon then applicable market rates for like tenor and character loans. If the rate was fixed as of today, the rate would be approximately 4.73%. Tranche A will be an amortizing obligation with principal and interest payable monthly for a period of 17 years. Following year 17, the Bank can "put" the bonds for mandatory redemption or reset the rate for the remaining term of the bonds. The maturity date of the bonds may extend to 30 years. Amortization will commence after 18 months. The permanent fixed rate bond amount will be \$3,409,000. Tranche B will be a fully amortizing obligation with principal and interest payable for a period of 11 years. Amortization will commence after 18 months and the permanent fixed rate bond amount will

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: 88.5 out of 130
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$12,100,000 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	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	7.5
Service Amenities	10	10	10
New Construction	10	10	0
Sustainable Building Methods	10	10	6
Negative Points	-10	-10	0
Total Points	130	100	88.5

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.