

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: City of San Jose

Allocation Amount Requested:
Tax-exempt: \$52,440,000

Project Information:
Name: La Moraga Apartments
Project Address: Corner of Charlotte Drive and Raleigh Road
Project City, County, Zip Code: San Jose, Santa Clara, 95123

Project Sponsor Information:
Name: La Moraga San Jose L.P. (Anton La Moraga, LLC and Pacific Housing, Inc.)
Principals: Anton La Moraga, LLC: Steve L. Eggert and Peter Geremia
Pacific Housing, Inc.: Mark Wiese
Property Management Company: St. Anton Management, Inc.

Project Financing Information:
Bond Counsel: Jones Hall, A Professional Law Corporation
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, N.A.
TEFRA Hearing Date: February 7, 2012

Description of Proposed Project:
State Ceiling Pool: Mixed Income
Total Number of Units: 272, plus 3 manager units
Type: New Construction
Type of Units: Family

The Project is located on the Hitachi Campus north of Highway 85 and east of Cottle Road in Santa Clara County. The site is currently uninhabited. There will be a total of 10 buildings. Lush landscaping and courtyards will be spread throughout the site. There will also be a resort style pool, bbq area, and bi-level fitness center. The target population is multi-family households. The Project will have 112 one bedroom units, 130 two bedroom units, and 33 three bedroom units. There will be 57 very low income units (50% AMI), 23 one bedroom units, 26 two bedroom units, 8 three bedroom units, and 3 separate managers units. Construction is expected to start in October 2012 and finish in August 2014.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 21%
21% (57 units) restricted to 50% or less of area median income households.
Unit Mix: 1, 2 & 3 bedrooms

The Project will offer after school programs and instructor-led educational 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:	\$ 65,567,926	
Estimated Hard Costs per Unit:	\$ 101,735	(\$27,671,808 /272 units)
Estimated per Unit Cost:	\$ 241,059	(\$65,567,926 /272 units)
Allocation per Unit:	\$ 192,794	(\$52,440,000 /272 units)
Allocation per Restricted Rental Unit:	\$ 920,000	(\$52,440,000 /57 restricted units)

	Construction	Permanent
Sources of Funds:		
Tax-Exempt Bond Proceeds	\$ 52,440,000	\$ 52,440,000
Developer Equity	\$ 5,417,681	\$ 5,767,681
LIH Tax Credit Equity	\$ 3,086,086	\$ 3,086,086
er (NOI During Lease Up, Deferred Developer Fee)	\$ 2,374,159	\$ 4,274,159
Total Sources	\$ 63,317,926	\$ 65,567,926

Uses of Funds:	
Acquisition/Land Purchase	\$ 17,245,900
On & Off Site Costs	\$ 3,195,000
Hard Construction Costs	\$ 24,476,808
Architect & Engineering Fees	\$ 923,658
Contractor Overhead & Profit	\$ 2,213,744
Developer Fee	\$ 2,500,000
Cost of Issuance	\$ 1,455,736
Capitalized Interest	\$ 5,562,145
Other Soft Costs (Marketing, etc.)	\$ 7,994,935
Total Uses	\$ 65,567,926

Description of Financial Structure and Bond Issuance:

The financial structure of the proposed Project will be a private placement transaction provided by Citibank, N.A. for tax-exempt bonds in an amount up to \$52,440,000. For the construction phase, the interest rate will be a variable rate equal to SIFMA plus a spread of 2.75% with a 5bps servicing fee. The term will be 36 months, plus one 6-month extension. For the permanent phase, the interest rate will be a fixed rate equal to the sum of the 13 year maturity "AAA" bond rates as published by Thompson Municipal Market Monitor plus a spread of 2.75%.

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: 56.27 out of 100

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$52,440,000 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	6.27
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	0
Leveraging	10	10	0
Community Revitalization Area	15	15	0
Site Amenities	10	10	10
Service Amenities	10	10	10
New Construction	10	10	10
Sustainable Building Methods	10	10	5
Negative Points	-10	-10	0
Total Points	130	100	56.27

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.