

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**December 10, 2014**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Sarah Lester*

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**Applicant:** California Municipal Finance Authority

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**Allocation Amount Requested:**  
**Tax-exempt:** \$18,000,000

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**Project Information:**  
**Name:** Gilroy Apartments  
**Project Address:** 500 I.O.O.F. Avenue  
**Project City, County, Zip Code:** Gilroy, Santa Clara, 95020

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**Project Sponsor Information:**  
**Name:** Santa Clara County Housing, LP  
**Principals:** Paul F. Chavez, Manuel H. Bernal and Paul S. Park  
**Property Management Company:** Cesar Chavez Foundation

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**Project Financing Information:**  
**Bond Counsel:** Kutak Rock LLP  
**Underwriter:** Not Applicable  
**Credit Enhancement Provider:** Not Applicable  
**Private Placement Purchaser:** Citibank, N.A.  
**TEFRA Adoption Date:** August 4, 2014

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 109, plus 2 manager units  
**Type:** Acquisition and Rehabilitation  
**Type of Units:** Family

The proposed project is an existing property with 111 units, located in the City of Gilroy, County of Santa Clara. It is comprised of 30 2-story wood-frame residential structures, 5 small laundry buildings, a rental office building and a community recreation center. The buildings were constructed in 1970. There are 10 one-bedroom units, 26 two-bedroom units, 40 three-bedroom units, 24 four-bedroom units, and 10 five-bedroom units. The property also offers two playgrounds, a basketball court, a sand volleyball court, covered parking, and a small community room. As part of the syndication, the project sponsor plans to do a moderate renovation of the property in the amount of approximately \$30,000 per unit to take care of immediate and short-term capital needs and to re-position the property for another fifteen years. The proposed renovation for the exterior of the property includes: resurfacing the asphalt, replacing the roofs, replacing a majority of the landscaping to make it drought tolerant, and installing new signage. For each unit, all of the water heaters will be replaced, all flooring will be replaced with a combination of low maintenance vinyl and carpet, all of the cabinetry and countertops will be replaced in the kitchens and baths, GFIs will be installed as needed, sinks and faucets will be replaced with water efficient fixtures, and all of the units will be repainted. The site's community building will have upgraded restrooms, flooring and cabinetry along with some exterior enhancements to the main entry facade. The anticipated construction start of the renovation is February 1, 2015 with a scheduled completion date of October 31, 2015.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%  
20% (22 units) restricted to 50% or less of area median income households.  
80% (87 units) restricted to 60% or less of area median income households.  
**Unit Mix:** 1, 2, 3, 4 & 5 bedrooms

The proposed project will include the following service amenities: 1) after school programs provided weekdays through the school year for at least 10 hours per week; and 2) instructor-led educational, health and wellness or skill building classes for a minimum of 84 hours per year.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

**Estimated Total Development Cost:** \$ 31,930,967  
**Estimated Hard Costs per Unit:** \$ 30,550 (\$3,330,000 /109 units)  
**Estimated per Unit Cost:** \$ 292,945 (\$31,930,967 /109 units)  
**Allocation per Unit:** \$ 165,138 (\$18,000,000 /109 units)  
**Allocation per Restricted Rental Unit:** \$ 165,138 (\$18,000,000 /109 restricted units)

<b>Sources of Funds:</b>	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 18,000,000	\$ 14,064,000
Deferred Developer Fee	\$ 100	\$ 100
LIH Tax Credit Equity	\$ 1,490,245	\$ 9,934,967
Other (Seller Note)	\$ 9,588,198	\$ 7,346,287
Other (Operating Reserves)	\$ 585,613	\$ 585,613
<b>Total Sources</b>	<b>\$ 29,664,156</b>	<b>\$ 31,930,967</b>

<b>Uses of Funds:</b>	
Acquisition/Land Purchase	\$ 20,430,000
Hard Construction Costs	\$ 3,330,000
Architect & Engineering Fees	\$ 390,358
Contractor Overhead & Profit/GC/Bond/Conting.	\$ 909,923
Developer Fee	\$ 2,460,000
Relocation	\$ 1,943,189
Cost of Issuance	\$ 998,413
Other Soft Costs (Marketing, etc.)	\$ 1,469,084
<b>Total Uses</b>	<b>\$ 31,930,967</b>

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**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. (the "Bank"). It is anticipated that there will be a construction loan of \$18,000,000 that will then be paid down with equity from the tax credit investor for a permanent loan of approximately \$14,064,000. The construction period will be for 24 months with one 6 month extension option. During the permanent financing period, the loan term will be for 30 years with an amortization period of 35 years. The estimated interest rate during both the construction and permanent periods is 5.03%. The bonds will be issued by the California Municipal Finance Authority.

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**Analyst Comments:**

Not Applicable

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**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.

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**Total Points:** 58 out of 130

[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$18,000,000 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	30
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project]	[10]	[10]	0
Gross Rents	5	5	5
Large Family Units	5	5	5
Leveraging	10	10	0
Community Revitalization Area	15	15	0
Site Amenities	10	10	5
Service Amenities	10	10	10
New Construction	10	10	0
Sustainable Building Methods	10	10	3
Negative Points	-10	-10	0
<b>Total Points</b>	<b>130</b>	<b>100</b>	<b>58</b>

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.