

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**July 20, 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:** \$7,000,000

---

**Project Information:**  
**Name:** Taylor Oaks Apartments  
**Project Address:** 2726-2738 Kollmar Avenue  
**Project City, County, Zip Code:** San Jose, Santa Clara, 95127

---

**Project Sponsor Information:**  
**Name:** Taylor Oaks Apartment Investor, L.P. (Churchill Stateside Group and Pacific Housing, Inc.)  
**Principals:** Michael Godwin, William Johnston, Keith Gloeckl, Richard Beachman, and Marcus Griffin for Churchill Stateside Group; Mark Wiese for Pacific Housing Inc.  
**Property Management Company:** FPI Property Management Inc.

---

**Project Financing Information:**  
**Bond Counsel:** Jones Hall, A Professional Law Corporation  
**Underwriter:** Citibank, N.A.  
**Credit Enhancement Provider:** Citibank, N.A. / Freddie Mac  
**TEFRA Hearing Date:** May 31, 2011

---

**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 58, plus 1 manager unit  
**Type:** Acquisition and Rehabilitation  
**Type of Units:** Family

Taylor Oaks Apartments consists of 59 units in eight buildings of two and three story walk up construction with surface and covered carport parking. The property was built in 1959 and suffers from substantial deferred maintenance, mismanagement and problems with crime. The rehabilitation and refurbishment will include removing and replacing interior trim, doors, hardware, cabinetry, tubs/showers, flooring, bath vanities, toilets, bath accessories, kitchens, appliances, and light fixtures as well as adding individual energy efficient package terminal air conditioning units.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%  
100% (58 units) restricted to 50% or less of area median income households.  
**Unit Mix:** Studio, 1 & 2 bedrooms

The project has committed to providing educational classes and contract for services.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

<b>Estimated Total Development Cost:</b>	\$ 12,732,610	
<b>Estimated Hard Costs per Unit:</b>	\$ 34,768	(\$2,016,530 /58 units)
<b>Estimated per Unit Cost:</b>	\$ 219,528	(\$12,732,610 /58 units)
<b>Allocation per Unit:</b>	\$ 120,690	(\$7,000,000 /58 units)
<b>Allocation per Restricted Rental Unit:</b>	\$ 120,690	(\$7,000,000 /58 restricted units)

<b>Sources of Funds:</b>	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 7,000,000	\$ 3,639,000
Lease Up Income	\$ 0	\$ 376,782
Deferred Developer Fee	\$ 783,147	\$ 220,115
LIH Tax Credit Equity	\$ 589,447	\$ 2,988,626
Direct & Indirect Public Funds	\$ 4,067,379	\$ 5,508,087
Other (Deferred Reserve Funding)	\$ 292,637	\$ 0
<b>Total Sources</b>	<b>\$ 12,732,610</b>	<b>\$ 12,732,610</b>

<b>Uses of Funds:</b>	
Acquisition Cost	\$ 6,100,000
Hard Construction Costs	\$ 2,016,530
Architect & Engineering Fees	\$ 75,000
Contractor Overhead & Profit	\$ 291,993
Developer Fee	\$ 1,033,147
Relocation	\$ 1,095,261
Cost of Issuance	\$ 293,750
Capitalized Interest	\$ 672,968
Other Soft Costs (Marketing, etc.)	\$ 1,153,961
<b>Total Uses</b>	<b>\$ 12,732,610</b>

**Description of Financial Structure and Bond Issuance:**

Citibank, N.A. shall underwrite the credit enhancement of the tax-exempt bonds to finance the acquisition and rehabilitation of the Property. The credit enhancement facility will be provided by Freddie Mac under the Freddie Mac Targeted Affordable Housing for Tax-Exempt Bond Execution Program. The construction loan is anticipated to carry a variable rate of 3.50% with a 30-month term and a call option of 24 months. The permanent loan will have a fixed rate with a term of 17 years and amortized over 35 years.

---

**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:** 73 out of 118

[See Attachment A]

---

**Recommendation:**

Staff recommends that the Committee approve \$7,000,000 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]	0
Gross Rents	5	5	5
Large Family Units	5	5	0
Leveraging	10	10	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	10
Service Amenities	10	10	10
New Construction	10	10	0
Sustainable Building Methods	8	8	3
Negative Points	-10	-10	0
<b>Total Points</b>	<b>118</b>	<b>98</b>	<b>73</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.