

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
November 16, 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: \$22,000,000

Project Information:
Name: Mayfair Court Apartments (fka McCreery Courtyards)
Project Address: 75 McCreery Avenue
Project City, County, Zip Code: San Jose, Santa Clara, 95116

Project Sponsor Information:
Name: San Jose Pacific Associates, a California L.P. (Central Valley Coalition for Affordable Housing, Roope, LLC and USA Grove Station, Inc.)
Principals: Christina Alley, Jennifer Bertuccio and Renee Downum for Central Valley Coalition for Affordable Housing; Caleb Roope for Roope, LLC; Geoffrey C. Brown, Edward R. Herzog, Michael J. McCleery for USA Grove Station, Inc.
Property Management Company: USA Multifamily Management, Inc.

Project Financing Information:
Bond Counsel: Jones Hall, A Professional Law Corporation
Private Placement Purchaser: Citibank, N.A.
TEFRA Hearing Date: September 23, 2011

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 92, plus 1 manager unit
Type: New Construction
Type of Units: Family

Mayfair Court is a 93-unit rental new construction project located on a 1.44 acre site on McCreery Avenue, west of Alum Rock Avenue, in the City of San Jose, Santa Clara County. The project is a Mayfair Court is a dense urban development that will be three and four stories over podium parking. The two and three bedroom units have patios or balconies that either overlook courtyards in the interior of the development, or overlook landscaped streetscapes. The development has a centrally located common laundry facility, a mail room and storage facilities on each floor of the development. Tenants will have access to an 1,100 square foot community room with kitchen facilities and a computer learning center located on the first floor of the project.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (92 units) restricted to 50% or less of area median income households.
Unit Mix: 2 & 3 bedrooms

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 38,604,895	
Estimated Hard Costs per Unit:	\$ 262,025	(\$24,106,310 /92 units)
Estimated per Unit Cost:	\$ 419,618	(\$38,604,895 /92 units)
Allocation per Unit:	\$ 239,130	(\$22,000,000 /92 units)
Allocation per Restricted Rental Unit:	\$ 239,130	(\$22,000,000 /92 restricted units)

The Project has total project costs that appear high for the geographic area in which it is located. According to the Project sponsor, the high cost is due to being a high density infill project and required prevailing wage.

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 22,000,000	\$ 5,200,000
City of San Jose Accrued Interest	\$ 405,000	\$ 405,000
Deferred Developer Fee	\$ 1,420,101	\$ 289,311
LIH Tax Credit Equity	\$ 4,309,794	\$ 13,040,584
Direct & Indirect Public Funds	\$ 10,470,000	\$ 19,670,000
Total Sources	\$ 38,604,895	\$ 38,604,895
Uses of Funds:		
Land Purchase	\$ 6,750,000	
On & Off Site Costs	\$ 1,904,666	
Hard Construction Costs	\$ 22,201,644	
Architect & Engineering Fees	\$ 625,000	
Contractor Overhead & Profit	\$ 1,134,807	
Developer Fee	\$ 1,200,000	
Cost of Issuance	\$ 1,125,976	
Capitalized Interest	\$ 1,267,000	
Other Soft Costs (Marketing, etc.)	\$ 2,395,802	
Total Uses	\$ 38,604,895	

Description of Financial Structure and Bond Issuance:

Mayfair Court will be financed using a private placement structure with Citibank purchasing the tax-exempt bonds. The construction loan will carry a variable interest rate of 5.58% for a term of 24 months. The permanent loan will carry a fixed interest rate of 5.575% for a term of 35 years, with an amortization of 35 years. Additional sources of financing include a Redevelopment Department Agency loan, Housing and Community Development Infill Infrastructure Program loan, Multifamily Housing Program loan and low-income tax credits.

Analyst Comments:

The originally project, McCreery Courtyard Apartments, applied to the Department of Housing and Community Development for a Multifamily Housing Program (MHP) loan in September of 2010. The MHP loan was approved for \$9,200,000 by the loan and grant committee in May 2011. Due to the delay in financing, the project was unable to close by the original issuance deadline of May 16, 2011. In addition, the project originally anticipated construction to begin in the Spring of 2011 and due to the delay is unable to begin construction until the Spring of 2012. Due to the high water table in the area and the fact that this will be a subterranean building, construction cannot start in late summer, fall, or winter. The project reverted the allocation and has now reapplied for allocation.

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: 82.5 out of 118
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$22,000,000 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	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	0
New Construction	10	10	10
Sustainable Building Methods	8	8	0
Negative Points	-10	-10	0
Total Points	118	98	82.5

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.