

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
September 26, 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: \$900,000

The amount of allocation requested is supplemental to the \$12,100,000 of allocation the Project received on July 18, 2012.

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: For 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 the West
TEFRA Hearing Date: August 21, 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: 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:	\$ 25,437,516	
Estimated Hard Costs per Unit:	\$ 92,852	(\$7,335,293 /79 units)
Estimated per Unit Cost:	\$ 321,994	(\$25,437,516 /79 units)
Allocation per Unit:	\$ 164,557	(\$13,000,000 /79 units)
Allocation per Restricted Rental Unit:	\$ 164,557	(\$13,000,000 /79 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 13,000,000	\$ 5,609,000
Developer Equity	\$ 0	\$ 75,156
LIH Tax Credit Equity	\$ 150,000	\$ 9,503,360
Direct & Indirect Public Funds	\$ 10,250,000	\$ 10,250,000
Total Sources	\$ 23,400,000	\$ 25,437,516

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	\$ 1,873,466
Relocation	\$ 700,000
Cost of Issuance	\$ 271,422
Capitalized Interest	\$ 379,028
Other Soft Costs (Marketing, etc.)	\$ 2,646,759
Total Uses	\$ 25,437,516

Description of Financial Structure and Bond Issuance:

The tax-exempt bond allocation will be privately placed with Bank of the West. The construction period funding loan will carry a variable rate of 30-day LIBOR plus 1.50% with a term of 18 months. The permanent loan period will have 2 tranches. Tranche A will carry a 16-year Federal Home Loan Bank of San Francisco Community Investment Program (CIP) rate for a 30-year amortizing advance with a 15-month forward rate lock plus 1.10%. Tranche B will carry a 11-year fully amortizing CIP rate with a 15-month forward lock rate plus 1.10%.

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.

Recommendation:

Staff recommends that the Committee approve \$900,000 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	
Exceeding Minimum Income Restrictions:	35	15	
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project]	[10]	[10]	
Gross Rents	5	5	
Large Family Units	5	5	
Leveraging	10	10	
Community Revitalization Area	15	15	
Site Amenities	10	10	
Service Amenities	10	10	
New Construction	10	10	
Sustainable Building Methods	10	10	
Negative Points	-10	-10	
Total Points	130	100	0

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.