

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 13, 2013
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Richard Fischer

Applicant: California Municipal Finance Authority

Allocation Amount Requested:
Tax-exempt: \$27,262,340

Project Information:
Name: San Tomas Gardens Apartments
Project Address: 825 S. Tomas Aquino Road
Project City, County, Zip Code: Campbell, Santa Clara, 95008

Project Sponsor Information:
Name: San Tomas Gardens L.P. (Charities Housing Development Corporation of Santa Clara County sole member of San Tomas Charities, LLC)
Principals: Daniel Wu, Greg Kepferle, Michael Schall, Mark Mikl and Hugh Isola for Charities Housing Corporation of Santa Clara County
Property Management Company: Charities Housing

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 5, 2013

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 99, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

San Tomas Gardens Apartments is located on a flat 5.347 acre site and was built in 1972. There are a total of 100 apartments including the manager's unit. All the floor plans are the same for each unit type with a full kitchen, living room, dining room, kitchen and half bath located on the ground floor and a full bath and bedrooms located on the second floor. Site features a community building with laundry facilities and four playgrounds/ recreation areas.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 96%
77% (76 units) restricted to 50% or less of area median income households.
19% (19 units) restricted to 60% or less of area median income households.
Unit Mix: 2, 3 & 4 bedrooms

There are no service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 40,220,498
Estimated Hard Costs per Unit: \$ 92,149 (\$9,122,798 /99 units)
Estimated per Unit Cost: \$ 406,268 (\$40,220,498 /99 units)
Allocation per Unit: \$ 275,377 (\$27,262,340 /99 units)
Allocation per Restricted Rental Unit: \$ 286,972 (\$27,262,340 /95 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 asbestos abatement, upgrading electrical panels, work related to the siding, insulation and dry rot, ADA upgrades, site security upgrades and a extensive temporary relocation plan for 100 families.

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 27,262,340	\$ 16,441,000
LIH Tax Credit Equity	\$ 601,950	\$ 12,037,091
Other (Seller Financing)	\$ 10,557,029	\$ 11,742,407
Total Sources	\$ 38,421,319	\$ 40,220,498
Uses of Funds:		
Acquisition/Land Purchase	\$ 21,538,908	
On & Off Site Costs	\$ 732,214	
Hard Construction Costs	\$ 8,390,584	
Architect & Engineering Fees	\$ 722,211	
Contractor Overhead & Profit	\$ 549,136	
Developer Fee	\$ 2,446,093	
Relocation	\$ 1,250,000	
Cost of Issuance	\$ 537,160	
Capitalized Interest	\$ 1,717,770	
Other Soft Costs (Marketing, etc.)	\$ 2,316,422	
Total Uses	\$ 40,200,498	

Description of Financial Structure and Bond Issuance:

This is a Citibank, N.A. (Citi) Private Placement transaction. Citi will providing the construction loan as well as the permanent loan. The construction loan period will carry a floating rate based on 2.5% over SIFMA. Currently, SIMFA is approximately .21% so the total construction interest rate is 2.&1%. The permanent period loan will have a term of 15 years and an amortization of 35 years. The interest rate will be dependent upon market conditions at the time of closing the loan, based on 17 year "AAA" municipal bond rates as quoted by Thompson Municipal market Monitor (MMD) plus a spread 0of 2.50%. The permanent term interest rate will be approximately 4.82% not including any potential issuer fees.

Analyst Comments:

Expiring DDA.

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: 60 out of 130
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$27,262,340 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	5
Leveraging	10	10	0
Community Revitalization Area	15	15	0
Site Amenities	10	10	5
Service Amenities	10	10	0
New Construction	10	10	0
Sustainable Building Methods	10	10	10
Negative Points	-10	-10	0
Total Points	130	100	60

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.