

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: Crystal Alvarez

Applicant: City of San Jose

Allocation Amount Requested:
Tax-exempt: \$7,000,000

Project Information:
Name: 3rd Street Residential Development Apartments
Project Address: 1010 S. 3rd Street
Project City, County, Zip Code: San Jose, Santa Clara, 95112

Project Sponsor Information:
Name: San Jose 3rd Street Associates, LP (TPC Holdings IV, LLC dba
TPC Idaho Holdings IV, LLC and Foundation for Affordable
Housing V, Inc.
Principals: Caleb Roope for TPC Holdings IV, LLC; Deborrah A. Willard
for Foundation for Affordable Housing V, Inc.
Property Management Company: Buckingham Property Management

Project Financing Information:
Bond Counsel: Hawkins, Delafield & Wood LLP
Private Placement Purchaser: California Bank & Trust
TEFRA Hearing Date: November 26, 2012

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 36, plus 1 manager unit
Type: New Construction
Type of Units: Family

The 3rd Street Residential Development Apartments Project will be a 37-unit family apartment community on approximately .71 acres. The award-winning John Ha Innovative Design Architecture has designed the project. The development will serve large families and consists of 1 three story building, including a recreational center, which contains the office and manager's unit. The construction will be Type I for podium parking and Type V for the wood-frame construction, a classic California contemporary style structure. The recreation center is designed to support families by offering educational programs, a computer center, and a small kitchen. The recreation room will feature comfortable lounge seating and will be equipped with a television and DVD player.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
47% (17 units) restricted to 50% or less of area median income households.
53% (19 units) restricted to 60% or less of area median income households.
Unit Mix: 1, 2 & 3 bedrooms

The project has a Recreation Center designed to support families by offering educational programs for a period of ten years.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	12,282,548	
Estimated Hard Costs per Unit:	\$	156,458	(\$5,632,493 /36 units)
Estimated per Unit Cost:	\$	341,182	(\$12,282,548 /36 units)
Allocation per Unit:	\$	194,444	(\$7,000,000 /36 units)
Allocation per Restricted Rental Unit:	\$	194,444	(\$7,000,000 /36 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 7,000,000	\$ 3,725,000
Developer Equity	\$ 1,261,847	\$ 1,094,303
LIH Tax Credit Equity	\$ 825,401	\$ 4,267,945
Direct & Indirect Public Funds	\$ 2,195,300	\$ 2,195,300
Seller Note	\$ 1,000,000	\$ 1,000,000
Total Sources	\$ 12,282,548	\$ 12,282,548

Uses of Funds:	
Land Purchase	\$ 2,625,000
On & Off Site Costs	\$ 500,000
Hard Construction Costs	\$ 5,132,493
Architect & Engineering Fees	\$ 395,000
Contractor Overhead & Profit	\$ 402,452
Developer Fee	\$ 1,188,951
Cost of Issuance	\$ 393,673
Capitalized Interest	\$ 290,606
Other Soft Costs (Marketing, etc.)	\$ 1,354,373
Total Uses	\$ 12,282,548

Description of Financial Structure and Bond Issuance:

The tax-exempt bonds are being privately placed by California Bank & Trust Bank. The construction loan will be for a period of 18-months with interest only payments. The permanent phase loan will be for 18 years with an amortization of 30 years. The loans will bear a fixed interest rate equal to the 10 year Treasury Bond plus 2.93% with a floor rate of 4.5%. Based on today's index, the note rate would be 4.56%. Additionally, funding sources consists of a tax-credit investor, Department of Housing and Community Development Infill Grant and a CalRe Use Grant.

Analyst Comments:

The 3rd Street Residential Apartments first received an award of allocation in September 28, 2011. The project is coming to the board for a new allocation due to a change in ownership from 3rd Street Residential Development, LP to San Jose 3rd Street Associates, LP. The new borrower reflects a change in the Administrative General Partner from Global Premier Development Inc. to TPC Holdings V, LLC dba Idaho Holdings V, LLC. The managing general partner remains Foundation for Affordable Housing V, Inc., a California non-profit public benefit corporation. All commitments made in the original application will remain in place.

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: 90 out of 118
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$7,000,000 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	10
Service Amenities	10	10	5
New Construction	10	10	10
Sustainable Building Methods	8	8	0
Negative Points	-10	-10	0
Total Points	118	98	90

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.