

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
September 17, 2014
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Richard Fischer

Applicant: City of San Jose

Allocation Amount Requested:
Tax-exempt: \$15,000,000

Project Information:
Name: Parkview Senior Apartments
Project Address: 355 Race Street
Project City, County, Zip Code: San Jose, Santa Clara, 95126

Project Sponsor Information:
Name: Parkview Senior EAH II, L.P. (Parkview Senior II, LLC and EAH, Inc.)
Principals: Mary Murtagh, Laura Hall, Matt Steinle and Cathy Macy for both entities.
Property Management Company: EAH, Inc.

Project Financing Information:
Bond Counsel: Jones Hall, A Professional Law Corporation
Underwriter: Red Capital Markets, LLC
Credit Enhancement Provider: Red Capital Markets, LLC/ FHA 223(f)
Private Placement Purchaser: Not Applicable
TEFRA Hearing Date: June 6, 2014

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 138, plus 2 manager units
Type: Acquisition and Rehabilitation
Type of Units: Senior Citizens

The subject property, Parkview Senior Apartments, is an existing 140 unit senior project, originally built in 1998. The complex has 1 four-story building consisting of 138 one-bedroom units at 594 square feet. One additional one-bedroom and one additional two-bedroom units are designated for on-site management. The apartment building encompasses the majority of the property. Paved parking lots are located on the northern and southern sides of the property and concrete walkways and narrow landscaped areas bound the western, eastern, and southern sides of the building. A concrete walkway leads into a central courtyard that is also landscaped. The site also includes a large community room with kitchen, exercise room and a lounge and outdoor courtyard that accommodates the educational, health and wellness and other services to be provided to tenants. There are laundry rooms on each floor. Rehabilitation is needed to improve the residents' living environment, preserve affordability and extend the useful life of the property. Anticipated repairs include: new roofing system, new interior light fixtures, new signage, waterproofing of decks as needed, replacing building gas water heaters with high-efficiency gas water heaters, replacement of lateral wall piping, new Energy Star refrigerators and replacement of bathroom exhaust fan within 100% of units. Interior renovations to specific units as needed. Anticipated completion date is October 2015.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (138 units) restricted to 50% or less of area median income households.
Unit Mix: 1 bedroom

Included service amenities will be health and wellness services and programs along with a bona fide service coordinator/social worker.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 27,129,214	
Estimated Hard Costs per Unit:	\$ 30,337	(\$4,186,536 /138 units)
Estimated per Unit Cost:	\$ 196,589	(\$27,129,214 /138 units)
Allocation per Unit:	\$ 108,696	(\$15,000,000 /138 units)
Allocation per Restricted Rental Unit:	\$ 108,696	(\$15,000,000 /138 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 15,000,000	\$ 0
Taxable Bond Proceeds	\$ 0	\$ 4,088,000
Deferred Developer Fee	\$ 0	\$ 500,000
LIH Tax Credit Equity	\$ 0	\$ 8,719,321
Direct & Indirect Public Funds	\$ 3,087,203	\$ 3,087,203
Other (Seller Loan & Sponsor Loan)	\$ 8,611,690	\$ 10,734,690
Total Sources	\$ 26,698,893	\$ 27,129,214

Uses of Funds:	
Acquisition/Land Purchase	\$ 16,250,000
On & Off Site Costs	\$ 145,217
Hard Construction Costs	\$ 4,041,319
Architect & Engineering Fees	\$ 318,150
Contractor Overhead & Profit	\$ 509,577
Developer Fee	\$ 2,500,000
Relocation	\$ 662,545
Cost of Issuance	\$ 306,363
Other Soft Costs (Marketing, etc.)	\$ 2,396,043
Total Uses	\$ 27,129,214

Description of Financial Structure and Bond Issuance:

This is a credit enhanced construction loan transaction with the City of San Jose issuing the bonds. Red Capital Markets, LLC will be selling the bonds backed by US Treasury Notes. Approximately \$15,000,000 in bonds will be issued with an 18-month maturity and an interest rate of approximately 0.75%. Simultaneous with closing the Bonds, a loan in the approximate amount of \$4,088,000 is being made to the Project under the FHA Section 223(f) mortgage insurance program (the "FHA Loan"), along with loans from the project seller in the amount of \$11,585,000 (together with the FHA Loan). There will be no permanent bond financing.

Analyst Comments:

HUD financed project

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: 70.5 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$15,000,000 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]	10
Gross Rents	5	5	5
Large Family Units	5	5	0
Leveraging	10	10	0
Community Revitalization Area	15	15	0
Site Amenities	10	10	7.5
Service Amenities	10	10	10
New Construction	10	10	0
Sustainable Building Methods	10	10	3
Negative Points	-10	-10	0
Total Points	130	100	70.5

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.