

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: Devon King

Applicant:

Allocation Amount Requested:

Tax-exempt: \$14,500,000

Project Information:

Name: Parkview Family Apartments
Project Address: 360 Meridian
Project City, County, Zip Code: San Jose, Santa Clara, 95126

Project Sponsor Information:

Name: Parkview Family EAH, Inc. (Parkview Family II LLC)
Principals: Mary Murtagh, Matt Steinle, Laura Hall for Parkview Family II LLC
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 Mortgage Capital, LLC
Private Placement Purchaser: Non- Applicable
TEFRA Approval Date: June 6, 2014

Description of Proposed Project:

State Ceiling Pool: General
Total Number of Units: 88, plus 2 manager units
Type: Acquisition and Rehabilitation
Type of Units: Family

The proposed project is located in the city of San Jose, County of Santa Clara. The proposed project is a rehabilitation of an existing 90 unit multifamily tax credit project that was built in 1997. The project will consist of constructing 88 one- four bedroom rental apartments in 2 three-story buildings. Of the 90 units being built 35, of those units will be no greater than 50% of AMI and 54, of those units shall be no greater than 60% AMI. According to the application the project includes a community room, playground, laundry room, computer room, and garage. The application also states the units have blinds, carpets, ceiling fan, patio/balcony, refrigerator, stove/oven, dishwasher, and disposal. The application states that the rehabilitation is needed to improve the resident's living environment, preserve affordability, and extend the useful life of the property. According to the project repairs may include: new roofing and landscaping, new signage, waterproofing of decks, energy efficiency upgrades, upgrades to the courtyard play structure, exterior doors and gates; Five units shall be remodeled to meet accessibility standards, and there will be roof and wall insulation.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
40% (35 units) restricted to 50% or less of area median income households.
60% (53 units) restricted to 60% or less of area median income households.
Unit Mix: 1, 2, 3 & 4 bedrooms

The project will provide instructor-led health & wellness or skill building classes at a minimum of 84 hours per year and a bona fide service coordinator.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 26,253,268	
Estimated Hard Costs per Unit:	\$ 30,636	(\$2,696,004 /88 units)
Estimated per Unit Cost:	\$ 298,333	(\$26,253,268 /88 units)
Allocation per Unit:	\$ 164,773	(\$14,500,000 /88 units)
Allocation per Restricted Rental Unit:	\$ 164,773	(\$14,500,000 /88 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 14,500,000	\$ 0
Taxable Bond Proceeds	\$ 0	\$ 6,347,000
LIH Tax Credit Equity	\$ 2,436,500	\$ 8,971,028
Other(Sponsor and Seller Loans)	\$ 8,790,031	\$ 10,935,240
Total Sources	\$ 25,726,531	\$ 26,253,268

Uses of Funds:	
Acquisition/Land Purchase	\$ 17,250,000
On & Off Site Costs	\$ 169,262
Hard Construction Costs	\$ 2,526,742
Architect & Engineering Fees	\$ 305,315
Contractor Overhead & Profit	\$ 376,413
Developer Fee	\$ 2,500,000
Relocation	\$ 519,774
Cost of Issuance	\$ 303,723
Other Soft Costs (Marketing, etc.)	\$ 2,302,039
Total Uses	\$ 26,253,268

Description of Financial Structure and Bond Issuance:

The proposed financing structure will be a credit enhancement transaction by Red Capital Markets, LLC. The loans will have an 18 month term and interest rate of 0.75%. For Permanent financing HUD will make a loan with a term of 35 years or 75% of the economic life of the project as long as that is not less than 10 years at an interest rate of 4.10% that will become a fixed rate at closing. After the bond deal there will be an FHA loan extended to the project under FHA's 223(f) program. According to the application the project will also secure project seller loan. There will be no long term bond financing in order to pay for this 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: 78 out of 130
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$14,500,000 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	5
Leveraging	10	10	0
Community Revitalization Area	15	15	0
Site Amenities	10	10	10
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	78

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.