

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: City of San Jose

Allocation Amount Requested:
Tax-exempt: \$21,833,054

Project Information:
Name: Poco Way Apartments
Project Address: 1900 Poco Way
Project City, County, Zip Code: San Jose, Santa Clara, 95116

Project Sponsor Information:
Name: McCreery Avenue LP(Avenida Espana HDC, Inc + Housing Authority of the County of Santa Clara)
Principals: Jacque Hansen, George Lott, and Alex Sanchez for Avenida Espana HDC, Inc; and Alex Sanchez, Katherine Haras, Bakulesh Patel, Aleli Sangalang, and Vanessa Cooper for Housing Authority of Santa Clara

Property Management Company: FPI Management, Inc

Project Financing Information:
Bond Counsel: Hawkins, Delafield & Wood LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Bank of the West
TEFRA Adoption Date: June 26, 2014

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 129, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

The proposed project is an existing complex located in the City of San Jose, County of Santa Clara. The property was originally constructed in two phases. The first phase was built in 1965 and the second phase was completed in 1996 during the rehabilitation of the first phase. The project consists of 130 rental units within 21 two and three story buildings. Of the 130 units 53, of the units will be at 50% AMI, 76 of the units will be at 60% AMI and one will be a manager's unit. According to the application, construction will come in several phases that last 3-4 months respectively. During the construction, the residents will be temporarily re-located to other facilities. The unit configuration will be 1-,2-,3-,4- bedroom units. Rehabilitation will include: A community room, energy efficiency upgrades, better sight lighting, a laundry room, and new doors. The application states the acquisition and rehabilitation is expected to start in November 2014 and will be completed in December 2015.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

41% (53 units) restricted to 50% or less of area median income households.

59% (76 units) restricted to 60% or less of area median income households.

Unit Mix: 1, 2, 3 & 4 bedrooms

The project service amenities will include an after school program and bona fide service coordinator.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 42,129,446	
Estimated Hard Costs per Unit:	\$ 70,294	(\$9,067,897 /129 units)
Estimated per Unit Cost:	\$ 326,585	(\$42,129,446 /129 units)
Allocation per Unit:	\$ 169,248	(\$21,833,054 /129 units)
Allocation per Restricted Rental Unit:	\$ 169,248	(\$21,833,054 /129 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 21,833,054	\$ 10,098,200
LIH Tax Credit Equity	\$ 1,002,543	\$ 14,322,049
Direct & Indirect Public Funds	\$ 5,709,300	\$ 5,709,300
Other(Seller Carry Back Loan)	\$ 10,899,408	\$ 10,899,408
Accrued Interest, Deferred Cost, Operations Income	\$ 2,685,141	\$ 1,100,489
Total Sources	\$ 42,129,446	\$ 42,129,446

Uses of Funds:	
Acquisition/Land Purchase	\$ 20,100,000
Construction Contingency	\$ 1,446,201
Hard Construction Costs	\$ 9,067,897
Architect & Engineering Fees	\$ 797,701
Additional Contingency	\$ 1,033,574
Contractor Overhead & Profit	\$ 1,236,832
Developer Fee	\$ 2,500,000
Relocation	\$ 2,056,338
Cost of Issuance	\$ 688,081
Capitalized Interest	\$ 1,136,288
Other Soft Costs (Marketing, etc.)	\$ 2,066,534
Total Uses	\$ 42,129,446

Description of Financial Structure and Bond Issuance:

(The financing structure of the proposed project will be a private placement transaction by Bank of the West. The construction loan will have a term of 19 months and a floating interest rate based upon 1.40% plus 30 day LIBOR. The all-in rate during construction used for underwriting is 2.95% The permanent loan will be at an fixed interest rate. The rate will be 1.35% plus CIP rates which will amortize over 30 years with a 16 year term which the borrower may re-finance at the end of year 15. The estimated underwriting rate is 5.75% fixed.

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: 88 out of 130
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$21,833,054 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	10
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	88

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.