

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**July 15, 2015**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Richard Fischer*

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**Applicant:** California Statewide Communities Development Authority

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**Allocation Amount Requested:**  
**Tax-exempt:** \$88,000,000

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**Project Information:**  
**Name:** Alexander Station Apartments  
**Project Address:** 200 East 10th Street  
**Project City, County, Zip Code:** Gilroy, Santa Clara, 95020

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**Project Sponsor Information:**  
**Name:** Gilroy Pacific Associates, a CA LP (TPC Holdings V, LLC, W R Spann, LLC & Central Valley Coalition for Affordable Housing)  
**Principals:** Caleb Roope for TPC Holdings V, LLC; W.R. Spann for W R Spann, LLC; Alan Jenkins, Sid McIntyre, Jennifer Bertuccio, Renee Downum, Steve Simmons, Christina Alley for Central Valley Coalition for Affordable Housing.  
**Property Management Company:** U.S. Residential Group LLC

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**Project Financing Information:**  
**Bond Counsel:** Orrick, Herrington & Sutcliffe LLP  
**Private Placement Purchaser:** Citibank, N.A.  
**TEFRA Adoption Date:** August 18, 2014

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 260, plus 2 manager units  
**Type:** New Construction  
**Type of Units:** Family

The proposed development will be a 262-unit rental new construction apartment community. With a mix of 18 one-bedroom units (approximately 689 sq. ft.), 110 two-bedroom units (approximately 840 sq. ft.), 102 three-bedroom units (approximately 1,130 sq. ft.) and 32 four-bedroom units (approximately 1,268 sq. ft.), Alexander Station will provide affordable housing for families earning up to 60% of the area median income (AMI) for Santa Clara County. Within the units, residents will enjoy standard features such as refrigerators, exhaust fans, dishwashers, disposals, and ranges with ovens. All units will feature a covered patio or balcony and provide secure storage. Fully accessible units will serve disabled individuals. Alexander Station will exceed California's 2008 Title 24 Energy Code by at least 30% and will be water and energy efficient, provide healthy indoor air quality and will incorporate long lasting durable materials on both the interior and exterior of the project. The design of these apartments will adhere to all necessary requirements to satisfy Section 504 as well as any additional mandates that the local jurisdiction deems appropriate.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%

10% (27 units) restricted to 50% or less of area median income households.

90% (233 units) restricted to 60% or less of area median income households.

**Unit Mix:** 1, 2, 3 & 4 bedrooms

There will be no service amenities for the proposed project.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

<b>Estimated Total Development Cost:</b>	\$ 103,214,772	
<b>Estimated Hard Costs per Unit:</b>	\$ 264,753	(\$68,835,764 /260 units)
<b>Estimated per Unit Cost:</b>	\$ 396,980	(\$103,214,772 /260 units)
<b>Allocation per Unit:</b>	\$ 338,462	(\$88,000,000 /260 units)
<b>Allocation per Restricted Rental Unit:</b>	\$ 338,462	(\$88,000,000 /260 restricted units)

<b>Sources of Funds:</b>	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 88,000,000	\$ 60,000,000
LIH Tax Credit Equity	\$ 10,342,062	\$ 43,214,772
Deferred Developer Fee	\$ 2,500,000	\$ 0
Other(Deferred Construction Costs)	\$ 2,372,710	\$ 0
<b>Total Sources</b>	<b>\$ 103,214,772</b>	<b>\$ 103,214,772</b>

<b>Uses of Funds:</b>	
Acquisition/Land Purchase	\$ 6,540,000
On & Off Site Costs	\$ 5,540,000
Hard Construction Costs	\$ 63,295,764
Development Impact Fees	\$ 8,428,386
Architect & Engineering Fees	\$ 950,000
Contractor Overhead & Profit	\$ 5,186,861
Developer Fee	\$ 2,500,000
Cost of Issuance	\$ 1,658,618
Capitalized Interest	\$ 3,400,000
Reserves	\$ 2,372,710
Soft Costs (3rd Party Rpts., Marketing, Furn., etc.)	\$ 3,342,433
<b>Total Uses</b>	<b>\$ 103,214,772</b>

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**Description of Financial Structure and Bond Issuance:**

Alexander Station will be financed using a private-placement structure with no permanent credit enhancement or rating attached to the tax-exempt bonds. Citibank, N.A. will buy a total of \$60,000,000 in tax-exempt bonds, which will be construction-to permanent Series A bonds. Gilroy Affordable Housing Builders & Investors, Inc. will purchase \$28,000,000 construction-to-permanent Series B bonds. Upon lease-up of the entire project, the remainder of the low-income housing tax credit equity in the amount of \$43,214,772 will be available to 1) pay down the \$60,000,000 Series A tax-exempt bonds to \$32,000,000; 2) pay off the deferred developer fee of \$2,500,000; and 3) fund the operating and rent reserves in the amount of \$2,372,710. Concurrent with the stabilization of the project, the remaining \$32,000,000 in Series A bonds will convert to a long-term permanent source with an interest rate of 4.32%, a 35-year amortization and a 30-year term. Similarly, the \$28,000,000 in Series B bonds will convert to permanent phase with an interest rate of up to 5% and a 40-year term, with payments based on a 75% share of project cash flow.

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**Analyst Comments:**

Not Applicable

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**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.

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**Total Points:** 62.5 out of 130

[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$88,000,000 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	25
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	7.5
Service Amenities	10	10	0
New Construction	10	10	10
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
<b>Total Points</b>	<b>130</b>	<b>100</b>	<b>62.5</b>

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.