

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: Sarah Lester

Applicant: City of San Jose

Allocation Amount Requested:
Tax-exempt: \$48,000,000

Project Information:
Name: Town Park Towers Apartments
Project Address: 60 North Third Street
Project City, County, Zip Code: San Jose, Santa Clara, 95112

Project Sponsor Information:
Name: Town Park Towers, LP (NCPHS TPT, LLC)
Principals: David Berg, Oliver Wesson, Gordon Howie, Don Meninga and Janet Howley
Property Management Company: Northern California Presbyterian Homes and Services, Inc.

Project Financing Information:
Bond Counsel: Jones Hall, A Professional Law Corporation
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, N.A.
TEFRA Adopted Date: May 22, 2015

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 216, plus 0 manager units
Type: Acquisition and Rehabilitation
Type of Units: Senior Citizens/Federally Assisted At-Risk

The proposed project is an existing 216 unit multifamily senior affordable housing development built in 1973-4 located in the City of San Jose, County of Santa Clara. The property is located on a relatively flat parcel of land totaling approximately 34,848 square feet and consists of one (1) ten-story high-rise residential building. It is home to many seniors who are recipients of Project Based Section 8 rental subsidies. The unit configuration consists of 144 studio units and 72 1-bedroom units. All units will be restricted to households with incomes no greater than 60% of the area median income. The scope of rehabilitation will include, but not limited to: Redesign and Reprogramming of entire ground floor common and staff spaces; Mechanical heat distribution system upgrade; 22 ADA compliant units will be created; Unit Improvements- scope varies from unit to unit, but generally includes kitchen cabinetry and appliances; flooring; window coverings; doors; and painting; patio improvements; sidewalk replacement; solar thermal water heating system installation; window total replacement with low-E products; installing ENERGY STAR rated appliances; installing low VOC paints, flooring, and adhesives; improving upon existing energy use by 10%; and providing long lasting, warranted products on all new installations. Rehabilitation is expected to run between October 2015 through February 2017.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

30% (65 units) restricted to 50% or less of area median income households.

70% (151 units) restricted to 60% or less of area median income households.

Unit Mix: Studio & 1 bedroom

The proposed project will provide a full-time bona fide service coordinator/social worker on-site.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 83,178,348	
Estimated Hard Costs per Unit:	\$ 72,531	(\$15,666,619 /216 units)
Estimated per Unit Cost:	\$ 385,085	(\$83,178,348 /216 units)
Allocation per Unit:	\$ 222,222	(\$48,000,000 /216 units)
Allocation per Restricted Rental Unit:	\$ 222,222	(\$48,000,000 /216 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 48,000,000	\$ 23,008,500
Developer Equity	\$ 0	\$ 2,898
LIH Tax Credit Equity	\$ 1,119,161	\$ 28,973,528
Other (Income from Operations)	\$ 0	\$ 929,037
Other (Seller Carryback Note)	\$ 30,264,385	\$ 30,264,385
Total Sources	\$ 79,383,546	\$ 83,178,348

Uses of Funds:	
Acquisition/Land Purchase	\$ 47,200,000
On & Off Site Costs	\$ 73,543
Hard Construction Costs	\$ 15,593,076
Architect & Engineering Fees	\$ 1,079,706
Contractor Overhead & Profit	\$ 1,961,174
Municipal Fees	\$ 835,734
Developer Fee	\$ 2,500,000
Relocation	\$ 2,553,000
Cost of Issuance	\$ 850,000
Legal Fees	\$ 116,464
Construction & Permanent Financing	\$ 3,649,403
Contingency Cost	\$ 4,258,259
Reserves	\$ 1,226,570
Other Soft Costs (Third Party Reports, Furnishing, Marketing, etc.)	\$ 1,281,419
Total Uses	\$ 83,178,348

Description of Financial Structure and Bond Issuance:

The financial structure for the proposed project will be a private placement transaction provided by Citibank, N.A. (the "Bank") for both construction and permanent financing. During the construction phase, the loan term will be for 24 months, plus one 6-month extension. Payments during this phase will be interest only payments. The interest rate will be a variable rate equal to the sum of the one month LIBOR plus a spread of 1.75%. During the permanent financing phase, the loan term will be for 30 years with an amortization period of 35 years with one 6-month option to extend. The interest rate will be a fixed rate equal to the sum of 19 year LIBOR swap plus a spread of 1.95%. The bonds will be issued by the City of San Jose.

Analyst Comments:

Not Applicable

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: 85 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$48,000,000 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	20
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]	0
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	10
Service Amenities	10	10	5
New Construction	10	10	0
Sustainable Building Methods	10	10	10
Negative Points	-10	-10	0
Total Points	130	110	85

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.