

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
October 21, 2015
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Devon King

Applicant: California Housing Finance Agency

Allocation Amount Requested:
Tax-exempt: \$22,849,036

Project Information:
Name: Plum Tree West Apartments
Project Address: 1055 Montebello Drive
Project City, County, Zip Code: Gilroy, Santa Clara, 95020

Project Sponsor Information:
Name: Plum Tree West Preservation L.P.(Plum Tree West Preservations Partners LLC and JHC-Plum Tree West LLC)
Principals: William E. Szymczak, John T. Sweazey, James H. Reid, Jr., Michael Sapuppo, Paul Fujii, Paul A. Renno for Plum Tree West. Laura Archuleta, Marcy V. Finamore and Mary Jo Goelzer for JHC-Plum Tree West LLC
Property Management Company: Preservation Partners Management Group, Inc.

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Private Placement Purchaser: Citibank, N.A.
TEFRA Adoption Date: September 15, 2015

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 69, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Senior Citizens

The proposed project is a senior acquisition and rehabilitation project located in the central portion of Gilroy. The project is 3.52 acres which equates to 153,331 square feet. The building is steel frame construction with a cement exterior and a flat roof. Apartment buildings construction elements include exterior wood framed stud walls, floors and roofs with cement plaster finishes, flat roofing and concrete slab on grade. All parking is on grade. The Subject's common area amenities include on-site management, service coordination, handrails in hallways, central laundry room, recreation area, elevators, surface parking, carport parking, and a community space with a kitchen. Post-renovation, the Subject's community amenities will remain the same. The project consists of 1 two story apartment building housing a total of 70 units. Units consists of (1) two bedroom unit, and (69) one bedroom units. In addition to the residential units, there is a manager's office, community room, and a laundry room. The Subject's unit amenities include blinds, grab bars, carpeting in the living room and bedroom, vinyl flooring in the kitchen and bathroom, and wall electric heating and air conditioning. Kitchen appliances include an oven, refrigerator, and garbage disposal. The Subject's scope of renovation will include, but will not be limited to new kitchen and bathroom cabinets and counter tops, new roof, new appliances, new flooring, new interior lighting, new low flow water faucets and toilets, and new painting. There are no unique features of the site that would increase project costs or require environmental mitigation. The projected rehabilitation start date is January 2016, with an estimated completion date of December 2016.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

10% (7 units) restricted to 50% or less of area median income households.

90% (62 units) restricted to 60% or less of area median income households.

Unit Mix: 1 bedroom

The project will provide instructor led educational, health and wellness or skill building classes, and provide a service coordinator for a minimum of 20 hours per week, or 1040 hours per year.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	23,637,761	
Estimated Hard Costs per Unit:	\$	25,362	(\$1,750,000 /69 units)
Estimated per Unit Cost:	\$	342,576	(\$23,637,761 /69 units)
Allocation per Unit:	\$	331,145	(\$22,849,036 /69 units)
Allocation per Restricted Rental Unit:	\$	331,145	(\$22,849,036 /69 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 21,350,000	\$ 15,268,000
LIH Tax Credit Equity	\$ 518,725	\$ 6,870,725
Other(Seller Note Tax Exempt Bonds)	\$ 1,499,036	\$ 1,499,036
Total Sources	\$ 23,367,761	\$ 23,637,761

Uses of Funds:	
Acquisition/Land Purchase	\$ 17,200,000
Hard Construction Costs	\$ 1,750,000
Relocation	\$ 309,600
Architect & Engineering Fees	\$ 100,000
Contractor Overhead & Profit	\$ 253,400
Developer Fee	\$ 2,500,000
Cost of Issuance	\$ 255,542
Legal Fees	\$ 199,734
Const. & Perm. Financing	\$ 286,173
Reserves	\$ 322,369
Soft Costs (3rd Party Rpts., Marketing, Furn., etc.)	\$ 460,943
Total Uses	\$ 23,637,761

Description of Financial Structure and Bond Issuance:

The proposed financial structure will be a private placement by Citibank N.A for both the construction and permanent financing phases. The construction period loan is for 24 months with a possible one 6 month period extension with a fixed rate of interest estimated at 4.75%. The permanent period term is for 30 years with an amortization period of 35 years. The interest rate is estimated to be a fixed rate at 4.75%. There was no underwritten rate provided.

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:

66 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$22,849,036 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	0
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	6
Negative Points	-10	-10	0
Total Points	130	100	66

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.