

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 16, 2015
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Richard Fischer

Applicant: California Housing Finance Agency

Allocation Amount Requested:
Tax-exempt: \$13,430,000

Project Information:
Name: The Verandas Apartments
Project Address: 1868 North Capitol Avenue
Project City, County, Zip Code: San Jose, Santa Clara, 95132

Project Sponsor Information:
Name: JSM-The Verandas Affordable, L.P. (AHA San Jose MGP, LLC and The Verandas Management LLC)
Principals: William W. Hirsch, Jonathan B. Webb and Hilda L. Jusuf for AHA San Jose MGP, LLC; James S. Morley for The Verandas Management, LLC
Property Management Company: California Real Estate Management

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, N.A.
TEFRA Adoption Date: October 30, 2015

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 91, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

The Verandas is a 92-unit three-story garden style family apartment community located at 1861 N Capitol Avenue in San Jose California. The site consists of one irregular-shaped parcel containing a total of approximately 3.682 acres of land. There are 80,102 net rentable square feet excluding an on-site leasing office. The unit mix consists of twenty-six one-bedroom units, fifty-four two-bedroom units, and eleven three-bedroom units. Community amenities include a community room with a full kitchen, a fitness center, BBQ & tot-lot. A total of 157 asphalt-paved parking spaces are provided, including sixty-six open parking spaces and ninety-one steel-framed carport parking spaces. Four accessible parking spaces, including two van accessible parking spaces, are provided as well. Two common area laundry rooms are provided, each consist of four washers and four dryers. Anticipated construction start date is 1/15/2016 and is expected to be completed on 9/15/2016.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

21% (19 units) restricted to 50% or less of area median income households.

79% (72 units) restricted to 60% or less of area median income households.

Unit Mix: 1, 2 & 3 bedrooms

The proposed project will not be providing service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 24,577,515	
Estimated Hard Costs per Unit:	\$ 31,636	(\$2,878,919 /91 units)
Estimated per Unit Cost:	\$ 270,083	(\$24,577,515 /91 units)
Allocation per Unit:	\$ 147,582	(\$13,430,000 /91 units)
Allocation per Restricted Rental Unit:	\$ 147,582	(\$13,430,000 /91 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 13,430,000	\$ 12,930,000
Taxable Bond Proceeds (Seller Carryback)	\$ 3,700,000	\$ 3,700,000
Developer Equity	\$ 2,500,000	\$ 6,399
LIH Tax Credit Equity	\$ 4,650,452	\$ 7,150,452
Other (Deferred Costs; Prestabilization Income)	\$ 297,063	\$ 790,664
Total Sources	\$ 24,577,515	\$ 24,577,515

Uses of Funds:	
Acquisition/Land Purchase	\$ 16,500,000
Hard Construction Costs	\$ 3,281,968
Architect & Engineering Fees	\$ 15,000
Contractor Overhead & Profit	\$ 403,049
Developer Fee	\$ 2,500,000
Legal Fees	\$ 70,000
Capitalized Interest	\$ 679,446
Cost of Issuance	\$ 436,671
Operating Reserve	\$ 305,414
Contingency Costs (Soft Costs, etc.)	\$ 385,967
Total Uses	\$ 24,577,515

Description of Financial Structure and Bond Issuance:

This is a private placement transaction with Citibank, N.A. for both construction and permanent financing, with the a taxable \$3,700,000 seller take back. During the construction financing phase Tranche A the loan term will be for a max of 24 months with a (fixed) interest rate of the sum of the 17 year LIBOR swap index rate plus 1.80% . Tranche B during construction will be 30 LIBOR plus a spread of 2.25%. During the permanent financing phase, the loan term will be for 35 years with an amortization of 35 years at a (fixed) rate of the sum of the 17 year LIBOR swap index rate plus 1.80%. The indicative rate is 4.29%. The taxable bond seller take back portion will be set at 5% per year for a term of 55 years. There was no underwritten rate provided.

Analyst Comments:

None.

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: 57.5 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$13,430,000 in tax exempt bond allocation on a carryforward basis.

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	30
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	7.5
Service Amenities	10	10	0
New Construction	10	10	0
Sustainable Building Methods	10	10	5
Negative Points	-10	-10	0
Total Points	130	100	57.5

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.