

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: Devon King

Applicant: California Housing Finance Agency

Allocation Amount Requested:
Tax-exempt: \$10,551,259

Project Information:
Name: Arbor Terraces Apartments
Project Address: 2760 McKee Road
Project City, County, Zip Code: San Jose, Santa Clara, 95127

Project Sponsor Information:
Name: JSM- Arbor Terraces Affordable L.P. (AHA San Jose MGP, LLC and Arbor Terraces Management LLC)
Principals: William W. Hirsch, Jonathan B. Webb, Hilda L. Jusuf for AHA San Jose MGP, LLC; James S. Morley for Arbor Terraces 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: November 16, 2015

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 85, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Senior Citizens

Arbor Terraces is an 86-unit three-story garden style senior apartment community located in San Jose California, near the intersection of McKee Rd and I-680. Built in 1999 using tax-exempt bonds and Federal Tax Credits, it was purposed as an affordable housing community, for persons ages 55 and older, earning up to sixty percent of Santa Clara's median income. The site consists of two irregular-shaped parcels containing a total of approximately 1.42 acres of land. There are 48,149 net rentable square feet excluding an on-site leasing office. The unit mix consists of eighty-five one-bedroom one-bathroom units. Community amenities include a community room with a full kitchen, a fitness center, and a media room. The following is a list of items to be rehabilitated; concrete slab foundation, wood frame stucco exterior with a composition shingle roof. The buildings are individually metered for utility services. Heating and cooling at the apartment units is provided by through-wall HVAC units at the living areas at each unit and electric coil wall heaters at the bedrooms at each unit. Rehabilitation includes all new interiors, updated ADA accessibility features, new windows, and energy efficient windows and lighting. Anticipated construction start date is January 15, 2016 and is expected to be completed on June 15, 2016.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

42% (36 units) restricted to 50% or less of area median income households.

58% (49 units) restricted to 60% or less of area median income households.

Unit Mix: 1 bedroom

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:	\$ 19,955,317	
Estimated Hard Costs per Unit:	\$ 25,961	(\$2,206,710 /85 units)
Estimated per Unit Cost:	\$ 234,768	(\$19,955,317 /85 units)
Allocation per Unit:	\$ 124,132	(\$10,551,259 /85 units)
Allocation per Restricted Rental Unit:	\$ 124,132	(\$10,551,259 /85 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 10,551,229	\$ 9,701,259
Taxable Bond Proceeds	\$ 3,800,000	\$ 3,800,000
LIH Tax Credit Equity	\$ 3,752,867	\$ 5,923,774
Other(Pre-stabilization Income)	\$ 0	\$ 507,101
Developer Equity	\$ 1,851,191	\$ 23,183
Total Sources	\$ 19,955,287	\$ 19,955,317

Uses of Funds:	
Acquisition/Land Purchase	\$ 13,500,000
Hard Construction Costs	\$ 2,206,710
Architect & Engineering Fees	\$ 15,000
Contractor Overhead & Profit	\$ 308,938
Developer Fee	\$ 2,145,523
Legal Fees	\$ 70,000
Cost of Issuance	\$ 380,755
Operating Reserve	\$ 244,050
Construction and Permanent Financing	\$ 410,620
Other Soft Costs (Marketing, etc.)	\$ 673,721
Total Uses	\$ 19,955,317

Description of Financial Structure and Bond Issuance:

The proposed financial structure will be a private placement bond transaction provided in two separate tranches, (Tranche A for construction to permanent financing and Tranche B for additional construction financing) by Citibank N.A. During the construction financing phase the loan term will be for 18 months for both Tranche A and B; however, Tranche A will have a fixed interest rate equal to the sum of the 17 year LIBOR swap index plus a spread of 1.80%. The indicative rate was 4.29%. Tranche B financing will carry a variable interest rate equal to one month LIBOR plus a spread of 2.25% for an all-in rate of 2.44%. During the permanent financing phase, the loan term will be for 35 years with an amortization period of 35 years at a fixed rate of interest equal to the Tranche A interest rate. There was no underwritten rate provided.

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: 56 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$10,551,259 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	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project]	[10]	[10]	8.5
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	0
Negative Points	-10	-10	0
Total Points	130	100	56

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.