

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 16, 2016
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Devon King

Applicant: California Municipal Finance Authority

Allocation Amount Requested:
Tax-exempt: \$47,696,218

Project Information:
Name: Laurel Grove Family Apartments
Project Address: 777 Park Avenue
Project City, County, Zip Code: San Jose, Santa Clara, 95126

Project Sponsor Information:
Name: Laurel Grove Lane L.P. (Pinmore HDC Inc.)
Principals: Katherine Harasz, Thomas Graham, Aleli Sangalang for Pinmore HDC Inc.
Property Management Company: FPI Management, Inc.

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank N.A.
TEFRA Noticing Date: December 28, 2015
TEFRA Adoption Date: January 26, 2016

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 81, plus 1 manager unit
Type: New Construction
Type of Units: Family

Laurel Grove Family Apartments (“Laurel Grove”) is an 82 unit multifamily, new construction tax credit project located at 777 Park Avenue, San Jose, Santa Clara County, California, 95126. The project targets general occupancy households with incomes between 20 and 50 percent of AMI. The new construction project is a one, four-story residential building which will include 14 one-bedroom units, 43 two-bedroom units and 25 three-bedroom units; one additional two-bedroom unit will be designated for on-site management. The 81 restricted residential units will have project based Section 8 vouchers. The Laurel Grove parcel is 1.35 gross acres. The project will have 132 parking spaces, grand lobby with receptionist and mailboxes, 2,741 square foot multipurpose room for community activities and a computer lab, resident service offices, “bike kitchen,” laundry room and two elevators. On the exterior of the podium it will have two courtyards, consisting of an outdoor dining area, playground, landscaping and benches. The landscape will be Bay Area Friendly Certified designed with drought tolerant native plants and conforms to San Jose’s Water Efficiency Landscape Ordinance (WELO). There will also be on-site manager and a FOB key entry system for security. In addition to the bike kitchen, which is a bicycle maintenance and repair room, there will be 99 bike racks, for both visitor and tenant use. Unit amenities include central air, blinds, carpet, coat closet, refrigerator, stove/oven, dishwasher, disposal, and microwave. Construction for Laurel Grove is set to begin June 1, 2016, with an estimated completion date of February 2018.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (81 units) restricted to 50% or less of area median income households.
Unit Mix: 1, 2 & 3 bedrooms

The proposed project will be providing after school programs with a bona fide service coordinator

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 67,444,018	
Estimated Hard Costs per Unit:	\$ 469,050	(\$37,993,025 /81 units)
Estimated per Unit Cost:	\$ 832,642	(\$67,444,018 /81 units)
Allocation per Unit:	\$ 588,842	(\$47,696,218 /81 units)
Allocation per Restricted Rental Unit:	\$ 588,842	(\$47,696,218 /81 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 47,696,218	\$ 17,500,000
LIH Tax Credit Equity	\$ 2,175,673	\$ 23,061,732
Deferred Developer Fee	\$ 5,013,914	\$ 5,013,914
Other (Acc/Def Interest during Construction)	\$ 567,783	\$ 567,783
HCD TOD Loan	\$ 0	\$ 4,000,000
HACSC (AHSC AHD Loan)	\$ 0	\$ 4,000,000
HACSC (RHF Loan)	\$ 0	\$ 1,390,497
HASC Seller Loan	\$ 5,330,000	\$ 5,330,000
HACSC MTW Loan	\$ 6,580,092	\$ 6,580,092
Total Sources	\$ 67,363,680	\$ 67,444,018

Uses of Funds:	
Land Cost/Acquisition	\$ 6,540,000
Rehabilitation	\$ 4,159,815
New Construction	\$ 37,993,026
Architectural Fees	\$ 1,600,490
Permanent Financing	\$ 84,738
Legal Fees	\$ 192,500
Reserves	\$ 439,584
Contingency Costs	\$ 5,856,454
Appraisal	\$ 21,250
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 3,037,619
Developer Costs	\$ 7,518,542
Total Uses	\$ 67,444,018

Description of Financial Structure and Bond Issuance:

The proposed financial structure will be a private placement by Citibank N.A. During the construction financing phase the loan term will be for 42 months with a fixed interest rate of 2.67%. During the permanent financing phase, the loan term will be for 33 years with an amortization period of 35 years at a fixed rate of a 19 year LIBOR swap index plus 1.80%. The underwritten rate is 5.19%.

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: 100 out of 140

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$47,696,218 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
Preservation Project	20	20	0
Exceeding Minimum Income Restrictions:	35	15	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	10
Gross Rents	5	5	5
Large Family Units	5	5	5
Leveraging	10	10	10
Community Revitalization Area	5	5	0
Site Amenities	10	10	5
Service Amenities	10	10	10
New Construction or Substantial Renovation	10	10	10
Sustainable Building Methods	10	10	10
Forgone Eligible Developer Fee (Competitive Allocation Process Only)	10	10	0
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	0
Negative Points (No Maximum)	-10	-10	0
Total Points	140	120	100

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.