

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 18, 2016
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: \$34,000,000

Project Information:
Name: Monte Vista Gardens Family Apartment
Project Address: 2601 Nuestra Castillo Court
Project City, County, Zip Code: San Jose, Santa Clara, 95127

Project Sponsor Information:
Name: Monte Vista Community Partners, L.P. (JHC - Monte Vista, LLC and WNC - Monte Vista Partners G/P, LLC)
Principals: Marcy V. Finamore for JHC- Monte Vista, LLC; Annand Kannan, and Wilfred N. Cooper, Jr. for WNC-Monte Vista Partners G/P, LLC
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: March 24, 2015
TEFRA Adoption Date: April 18, 2016

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 143, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

Monte Vista Gardens Family Apartments is a three-story multifamily residential building complex consisting of a mix of one, two, and three-bedroom units that were originally constructed in 2001. The property site is approximately 216,493 square feet or 4.97 acres. The property currently consists of 144 units (114 income restricted units and the remaining 30 units are unrestricted market rate units, including one manager's unit). There project has two ancillary community buildings which include a community/computer room, exercise room, rental office, swimming pool and Jacuzzi, playground, picnic area, laundry facilities, and a maintenance shop. The property includes asphalt paving and parking area containing approximately 143 covered parking spaces with an additional 69 uncovered parking spaces. Currently, the Developer is planning on replacing all countertops and cabinetry in units, replacing the windows, installing new refrigerators, ranges, range hoods, and dishwashers, re-roofing, and painting the exterior buildings. Renovation is scheduled to start in August 2016 and scheduled completion is July 2017.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 80%

53% (76 units) restricted to 50% or less of area median income households.

27% (38 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:	\$ 53,360,284	
Estimated Hard Costs per Unit:	\$ 33,231	(\$4,752,000 /143 units)
Estimated per Unit Cost:	\$ 373,149	(\$53,360,284 /143 units)
Allocation per Unit:	\$ 237,762	(\$34,000,000 /143 units)
Allocation per Restricted Rental Unit:	\$ 237,762	(\$34,000,000 /114 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 34,000,000	\$ 24,700,000
Seller Carryback Note	\$ 7,495,539	\$ 7,495,539
LIH Tax Credit Equity	\$ 3,438,540	\$ 15,444,562
Deferred Developer Fee	\$ 6,441,418	\$ 4,024,631
Cash Flow From Operations	\$ 1,984,787	\$ 1,695,552
Total Sources	\$ 53,360,284	\$ 53,360,284

Uses of Funds:	
Land Cost/Acquisition	\$ 36,990,000
Rehabilitation	\$ 5,526,576
Relocation	\$ 144,000
Architectural Fees	\$ 75,000
Construction Interest and Fees	\$ 2,369,552
Survey & Engineering	\$ 112,000
Legal Fees	\$ 200,000
Reserves	\$ 514,494
Appraisal	\$ 7,500
Contingency Cost	\$ 552,658
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 427,086
Developer Costs	\$ 6,441,418
Total Uses	\$ 53,360,284

Description of Financial Structure and Bond Issuance:

The proposed financial structure will be a private placement transaction provided by Citibank N.A. During the construction financing phase the loan term will be for 24 months with a fixed interest rate of 3.00%. During the permanent financing phase, the loan term will be for 17 years with an amortization period of 35 years at a fixed rate estimated at 3.0%.

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:

75 out of 140

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$34,000,000 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
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	0
Community Revitalization Area	5	5	0
Site Amenities	10	10	10
Service Amenities	10	10	0
Substantial Renovation	10	10	10
Sustainable Building Methods	10	10	0
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	75

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.