

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**July 20, 2016**  
**Revised Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Louise Eller*

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**Applicant:** California Public Finance Authority

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**Allocation Amount Requested:** Tax-exempt: \$15,200,000

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**Project Information:**

**Name:** Village East Apartments  
**Project Address:** 2501 E. Lafayette Street  
**Project City, County, Zip Code:** Stockton, San Joaquin, 95205

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**Project Sponsor Information:**

**Name:** New Village East, LP (AHCDC Village East LLC and JSCo Village East LLC)  
**Principals:** Joseph Stalzer for AHCDC Village East LLC and Jack Gardner for JSCo Village East LLC  
**Property Management Company:** The John Stewart Company

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**Project Financing Information:**

**Bond Counsel:** Orrick, Herrington & Sutcliffe LLP  
**Underwriter:** Stifel, Nicolaus & Company  
**Credit Enhancement Provider:** Not Applicable  
**Private Placement Purchaser:** Not Applicable  
**TEFRA Noticing Date:** March 13, 2016  
**TEFRA Adoption Date:** March 29, 2016

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**Description of Proposed Project:**

**State Ceiling Pool:** General  
**Total Number of Units:** 187, plus 2 manager units  
**Type:** Acquisition and Rehabilitation  
**Type of Units:** Family

Village East Apartments is an existing project located in Stockton. The project consists of 46 one-bedroom units, 96 two-bedroom units and 45 three-bedroom units. There are a total of 22 residential buildings and they range in size from 5 to 16 units. The buildings are of average-quality wood-frame construction. The scope of the rehab includes new roofs, exterior painting, sliding glass doors and door coverings, new kitchen cabinets, countertops, sinks, disposals and appliances, new toilets, bathroom vanities, fixtures and bath fans, new A/C compressors and hot water heaters, drywall repairs and site improvements.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%  
21% (39 units) restricted to 50% or less of area median income households.  
79% (148 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:**

|   |    |            |                                      |
|---|----|------------|--------------------------------------|
| <b>Estimated Total Development Cost:</b>      | \$ | 22,303,305 |                                      |
| <b>Estimated Hard Costs per Unit:</b>         | \$ | 25,401     | (\$4,750,030 /187 units)             |
| <b>Estimated per Unit Cost:</b>               | \$ | 119,269    | (\$22,303,305 /187 units)            |
| <b>Allocation per Unit:</b>                   | \$ | 81,283     | (\$15,200,000 /187 units)            |
| <b>Allocation per Restricted Rental Unit:</b> | \$ | 81,283     | (\$15,200,000 /187 restricted units) |

| <b>Sources of Funds:</b> | <u>Construction</u>  | <u>Permanent</u>     |
|--------------------------|----------------------|----------------------|
| Tax-Exempt Bond Proceeds | \$ 15,200,000        | \$ 0                 |
| Taxable Bond Proceeds    | \$ 0                 | \$ 15,200,000        |
| LIH Tax Credit Equity    | \$ 4,439,503         | \$ 7,103,205         |
| GP Capital               | \$ 100               | \$ 100               |
| Deferred Costs           | \$ 2,663,701         | \$ 0                 |
| <b>Total Sources</b>     | <b>\$ 22,303,304</b> | <b>\$ 22,303,305</b> |

| <b>Uses of Funds:</b>                             |                      |
|---|----------------------|
| Land Cost/Acquisition                             | \$ 10,015,000        |
| Rehabilitation                                    | \$ 5,488,978         |
| Relocation  | \$ 175,000           |
| Contractor Overhead                               | \$ 185,618           |
| Architectural Fees                                | \$ 316,500           |
| Survey and Engineering                            | \$ 35,270            |
| Construction Interest and Fees                    | \$ 497,444           |
| Permanent Financing                               | \$ 334,216           |
| Legal Fees  | \$ 110,000           |
| Reserves  | \$ 933,868           |
| Contingency Cost                                  | \$ 750,927           |
| Other Project Costs (Soft Costs, Marketing, etc.) | \$ 1,067,851         |
| Developer Costs                                   | \$ 2,392,633         |
| <b>Total Uses</b>                                 | <b>\$ 22,303,305</b> |

**Description of Financial Structure and Bond Issuance:**

This is a public offering underwritten by Stifel, Nicolaus & Company. This is an FHA Section 223(f) loan. The bonds will be fully funded, publicly offered short-term cash backed tax-exempt bonds rated AA+ or A-1 by Standard's & Poor's. The borrower will also close a taxable Section 223(f) FHA Insured Loan to provide debt financing for the project simultaneously with the closing of the bonds.

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**Analyst Comments:**

None

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**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.

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**Total Points:** 55 out of 140

[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$15,200,000 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   | 20            |
| Exceeding Minimum Income Restrictions:   | 35   | 15   | 30            |
| Exceeding Minimum Rent Restrictions<br>[Allowed if 10 pts not awarded above in Preservation Project] | [10]   | [10]   | 0             |
| Gross Rents  | 5  | 5  | 5             |
| Large Family Units   | 5  | 5  | 0             |
| Leveraging   | 10   | 10   | 0             |
| Community Revitalization Area  | 5  | 5  | 0             |
| Site Amenities   | 10   | 10   | 0             |
| Service Amenities  | 10   | 10   | 0             |
| New Construction or Substantial Renovation   | 10   | 10   | 0             |
| Sustainable Building Methods   | 10   | 10   | 0             |
| Forgone Eligible Developer Fee<br>(Competitive Allocation Process Only)                              | 10   | 10   | 0             |
| Minimum Term of Restrictions<br>(Competitive Allocation Process Only)                                | 10   | 10   | 0             |
| Negative Points (No Maximum)   | -10  | -10  | 0             |
| <b>Total Points</b>  | <b>140</b>   | <b>110</b>                                       | <b>55</b>     |

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.