

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 14, 2016
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Ruben Barcelo

Applicant: City of San Jose

Allocation Amount Requested:
Tax-exempt: \$38,500,000

Project Information:
Name: Villa De Guadalupe Apartments
Project Address: 2151 Plaza De Guadalupe
Project City, County, Zip Code: San Jose, Santa Clara, 95116

Project Sponsor Information:
Name: Burnham VDG Venture LP (Burnham VDG Manager LP, and Housing On Merit VI LLC)
Principals: Scott Alter for Burnham VDG Manager LP; and Jennifer Litwak for Housing On Merit VI LLC
Property Management Company: Apartment Management Consultants LLC

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Private Placement Purchaser: Citibank, N.A.
TEFRA Noticing Date: October 7, 2016
TEFRA Adoption Date: October 28, 2016

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 100, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Senior Citizens

Villa De Guadalupe Apartments is an existing 101-unit, garden-style affordable senior apartment complex located in the city of San Jose. The property is situated on an approximate 3.13 acre parcel located in an area of mixed use commercial/residential. The complex was constructed in 1981 and is comprised of one 3-story building that contains all of the units, and a 1-story building that contains the office and community spaces. The renovations will include unit upgrades in the bathrooms and kitchens consisting of some combination of new flooring, Energy-Star appliances, countertops, cabinetry, lighting and fixtures, plumbing and paint. The exterior of the buildings will be repainted. Common area renovations will include updates to the community room, leasing office, landscaping and laundry facilities. Additionally, elevator modernization, dry rot wood repairs and installation of new monument signage are also part of the planned renovations. Work is scheduled to begin in the first quarter 2017 and to be completed by the end of the fourth quarter 2017.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
11% (11 units) restricted to 50% or less of area median income households.
89% (89 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:	\$ 57,109,166	
Estimated Hard Costs per Unit:	\$ 33,442	(\$3,344,199 /100 units)
Estimated per Unit Cost:	\$ 565,437	(\$57,109,166 /101 units including mgr. units)
Allocation per Unit:	\$ 385,000	(\$38,500,000 /100 units)
Allocation per Restricted Rental Unit:	\$ 385,000	(\$38,500,000 /100 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 38,500,000	\$ 34,915,000
LIH Tax Credit Equity	\$ 13,817,931	\$ 17,402,931
Developer Equity	\$ 4,791,235	\$ 4,791,235
Total Sources	\$ 57,109,166	\$ 57,109,166
 Uses of Funds:		
Land Cost/Acquisition	\$ 42,000,000	
Recording and Other Related Legal	\$ 628,425	
Rehabilitation	\$ 3,578,293	
Contractor Overhead & Profit	\$ 267,536	
Architectural Fees	\$ 289,588	
Construction Interest and Fees	\$ 1,887,392	
Contingency Cost	\$ 384,583	
Permanent Financing	\$ 585,650	
Legal Fees	\$ 205,000	
Reserves	\$ 598,604	
Appraisal	\$ 10,000	
Developer Cost	\$ 6,447,815	
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 226,280	
Total Uses	\$ 57,109,166	

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:

68.5 out of 140

[See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$38,500,000 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
Preservation Project	20	20	20
Exceeding Minimum Income Restrictions:	35	15	26
Exceeding Minimum Rent Restrictions [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	7.5
Service Amenities	10	10	0
New Construction or 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	110	68.5

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.