

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
January 18, 2017
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Richard Fischer

Applicant: California Statewide Communities Development Authority

Allocation Amount Requested:
Tax-exempt: \$33,710,000

Project Information:
Name: Lilly Gardens Apartments
Project Address: 8800 Lilly Avenue
Project City, County, Zip Code: Gilroy, Santa Clara, 95020

Project Sponsor Information:
Name: Lilly Affordable Communities, LP (Lilly Communities, LLC and Pacific Housing, Inc.)
Principals: Ruben Islas, Jules Arthur and Mike Coit for Lilly Communities, LLC; Mark Wiese and Mat Eland for Pacific Housing, Inc.
Property Management Company: Logan Property Management, Inc.

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Private Placement Purchaser: Citibank, N.A.
Public Sale: Not Applicable
Underwriter: Not Applicable
TEFRA Noticing Date: October 28, 2016
TEFRA Adoption Date: November 21, 2016

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 83, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

Lilly Gardens Apartments is an 84 unit property located in Gilroy, CA consisting of one, two and three bedroom units for low-income tenants. The property, which was built in 1980 and had a renovation in 2002, has 13 two-story buildings with separate leasing office/community building, laundry facilities and a swimming pool. The unit mix for the property is 12-1br/1ba units, 56-2br/1ba units, 8-2br/2ba units and 8-3br/1.5ba units. The proposed renovation will address the entire property and will include substantial improvements to the property. The current scope of work provides for upgrades to flooring, electrical, appliances and plumbing in all 84 units. The common grounds will also be upgraded including, but not limited to, landscaping and walkways. Roofing for the entire property will also be replaced.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

12% (10 units) restricted to 50% or less of area median income households.
88% (73 units) restricted to 60% or less of area median income households.

Unit Mix: 1, 2 & 3 bedrooms

The proposed project for a period of fifteen (15) years will provide to project residents an after-school children's program as well as instructor-led classes in subjects that are appropriate for the project residents, such as computer training, financial literacy and nutrition.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 41,721,408	
Estimated Hard Costs per Unit:	\$ 42,807	(\$3,552,950 /83 units)
Estimated per Unit Cost:	\$ 496,683	(\$41,721,408 /84 units including mgr. units)
Allocation per Unit:	\$ 406,145	(\$33,710,000 /83 units)
Allocation per Restricted Rental Unit:	\$ 406,145	(\$33,710,000 /83 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 33,710,000	\$ 23,010,000
LIH Tax Credit Equity	\$ 75,740	\$ 10,897,078
Deferred Developer Fee	\$ 5,015,668	\$ 4,894,330
Seller Carryback Loan	\$ 2,920,000	\$ 2,920,000
Total Sources	\$ 41,721,408	\$ 41,721,408

Uses of Funds:	
Land Cost/Acquisition	\$ 29,200,000
Rehabilitation	\$ 3,817,026
Relocation	\$ 84,000
Contractor Overhead & Profit	\$ 305,810
Architectural Fees	\$ 85,000
Construction Interest and Fees	\$ 1,089,079
Permanent Financing	\$ 492,675
Legal Fees	\$ 300,000
Reserves	\$ 409,239
Appraisal	\$ 10,000
Contingency Cost	\$ 394,772
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 518,139
Developer Costs	\$ 5,015,668
Total Uses	\$ 41,721,408

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: 78.5 out of 140

[See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$33,710,000 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	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	10
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	78.5

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.