

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**May 17, 2017**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Richard Fischer*

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**Applicant:** City of San Jose

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**Allocation Amount Requested:**  
**Tax-exempt:** \$17,713,027

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**Project Information:**  
**Name:** Catalonia Apartments  
**Project Address:** 2036 Evans Lane  
**Project City, County, Zip Code:** San Jose, Santa Clara, 95125

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**Project Sponsor Information:**  
**Name:** Catalonia Two, L.P. (Catalonia Two, LLC)  
**Principals:** Nick Randall, Janet Lockhart, Kathleen Hamm, Jim Kennedy, Linda Mandolini, and Jan Peters for Catalonia Two, LLC  
**Property Management Company:** Eden Housing Management, Inc.

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**Project Financing Information:**  
**Bond Counsel:** Quint & Thimmig LLP  
**Private Placement Purchaser:** U.S. Bank National Association  
**Cash Flow Permanent Bond:** Not Applicable  
**Public Sale:** Not Applicable  
**Underwriter:** Not Applicable  
**Credit Enhancement Provider:** Not Applicable  
**Rating:** Not Applicable  
**TEFRA Noticing Date:** February 3, 2017  
**TEFRA Adoption Date:** February 22, 2017

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 50  
**Manager's Units:** 1 Unrestricted  
**Type:** Acquisition and Rehabilitation  
**Population Served:** Family

Catalonia Apartments is an existing project located in San Jose on a 2.95 -acre site. The project consists of 49 rental units and 1 unrestricted manager unit. The project has 36 three-bedroom units and 13 four-bedroom units. The renovations will include building (exterior and interior) upgrades. The scope of work prioritizes safety and security, code compliance, waterproofing, and energy and water efficiency improvements. The rehabilitation is expected to begin in September 2017 and completed in September 2018.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%  
22% (11 units) restricted to 50% or less of area median income households.  
78% (38 units) restricted to 60% or less of area median income households.  
**Unit Mix:** 3 & 4 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>	\$ 30,020,524	
<b>Estimated Hard Costs per Unit:</b>	\$ 161,907	(\$8,095,326 /50 units including mgr. units)
<b>Estimated per Unit Cost:</b>	\$ 600,410	(\$30,020,524 /50 units including mgr. units)
<b>Allocation per Unit:</b>	\$ 354,261	(\$17,713,027 /50 units including mgr. units)
<b>Allocation per Restricted Rental Unit:</b>	\$ 361,490	(\$17,713,027 /49 restricted units)

<b>Sources of Funds:</b>	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 17,713,027	\$ 6,497,000
LIH Tax Credit Equity	\$ 920,502	\$ 10,420,023
Deferred Developer Fee	\$ 2,225,980	\$ 2,225,980
Deferred Costs	\$ 675,000	\$ 0
Seller Carryback Loan	\$ 4,514,739	\$ 4,514,739
City of San Jose Loan + Int.	\$ 3,498,927	\$ 3,498,927
Net Income From Operations	\$ 0	\$ 391,506
Reserves	\$ 325,394	\$ 325,394
Interest on Seller Loan	\$ 146,955	\$ 146,955
Seller Permanent Loan	\$ 0	\$ 2,000,000
Total Sources	\$ 30,020,524	\$ 30,020,524

<b>Uses of Funds:</b>	
Land Cost/Acquisition	\$ 12,317,350
Rehabilitation	\$ 8,211,247
Relocation	\$ 60,000
Contractor Overhead & Profit	\$ 1,050,000
Architectural Fees	\$ 417,600
Survey and Engineering	\$ 417,600
Construction Interest and Fees	\$ 1,615,213
Permanent Financing	\$ 52,740
Legal Fees	\$ 131,900
Reserves	\$ 240,693
Appraisal	\$ 7,500
Hard Cost Contingency	\$ 1,160,000
Other Project Costs (Soft Costs)	\$ 612,701
Developer Costs	\$ 3,725,980
Total Uses	\$ 30,020,524

**Analyst Comments:**

This Project has been identified as a high cost per unit project. According to the Developer, the high cost per unit is due to the high cost of real estate in the bay area along with the high cost of rehabilitation. The high cost of acquisition also required the specific allocation request in order to meet the 50% test.

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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:**

83.7 out of 140 [See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approves \$17,713,027 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	Points Scored
Preservation Project	20	20	20
Exceeding Minimum Income Restrictions:	35	15	31.2
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	5
Leveraging	10	10	10
Community Revitalization Area	5	5	0
Site Amenities	10	10	2.5
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	N/A
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	N/A
Negative Points (No Maximum)	-10	-10	0
<b>Total Points</b>	<b>140</b>	<b>110</b>	<b>83.7</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.