

**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: Sarah Lester*

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<b>Applicant:</b>	California Housing Finance Agency
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<b>Allocation Amount Requested:</b>	
<b>Tax-exempt:</b>	\$44,000,000

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<b>Project Information:</b>	
<b>Name:</b>	North San Pedro Apartments
<b>Project Address:</b>	201 Bassett Street
<b>Project City, County, Zip Code:</b>	San Jose, Santa Clara, 95110

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<b>Project Sponsor Information:</b>	
<b>Name:</b>	North San Pedro Apartments, LP (North San Pedro Apts., LLC)
<b>Principals:</b>	Geoffrey Morgan
<b>Property Management Company:</b>	The John Stewart Company

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<b>Project Financing Information:</b>	
<b>Bond Counsel:</b>	Orrick, Herrington & Sutcliffe LLP
<b>Private Placement Purchaser:</b>	Rabobank, N.A. (construction)
<b>Cash Flow Permanent Bond:</b>	Not Applicable
<b>Public Sale:</b>	Not Applicable
<b>Underwriter:</b>	Not Applicable
<b>Credit Enhancement Provider:</b>	Not Applicable
<b>Rating:</b>	Not Applicable
<b>TEFRA Noticing Date:</b>	March 28, 2017
<b>TEFRA Adoption Date:</b>	April 6, 2017

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<b>Description of Proposed Project:</b>	
<b>State Ceiling Pool:</b>	General
<b>Total Number of Units:</b>	135
<b>Manager's Units:</b>	1 Unrestricted
<b>Type:</b>	New Construction
<b>Population Served:</b>	Family/Special Needs

North San Pedro Apartments is a new construction project located in San Jose on a 0.7-acre site. The project consists of 134 rental units and 1 unrestricted manager unit. The project will have 118 studio units and 16 one-bedroom units. The building will be five stories over one level of structured-parking. Common amenities include a community room with kitchen, two large outdoor podium level landscaped courtyards, an outdoor BBQ, a computer lab, laundry facility, manager's office and free building-wide wireless internet. Each unit will have a kitchen, accessible bathroom and air conditioning. The project will be pursuing LEED Platinum certification. Green features include solar thermal HW, solar PV, nontoxic materials and energy and water efficiency fixtures. The construction is expected to begin August 2017 and to be completed in May 2019.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%  
99% (134 units) restricted to 50% or less of area median income households.  
**Unit Mix:** Studio & 1 bedroom

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>	\$ 57,284,108	
<b>Estimated Hard Costs per Unit:</b>	\$ 204,926	(\$27,664,947 /135 units including mgr. units)
<b>Estimated per Unit Cost:</b>	\$ 424,327	(\$57,284,108 /135 units including mgr. units)
<b>Allocation per Unit:</b>	\$ \$325,926	(\$44,000,000 /135 units including mgr. units)
<b>Allocation per Restricted Rental Unit:</b>	\$ \$328,358	(\$44,000,000 /134 restricted units)

<b>Sources of Funds:</b>	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 44,000,000	\$ 0
Taxable Bond Proceeds	\$ 0	\$ 13,126,000
LIH Tax Credit Equity	\$ 1,293,743	\$ 16,666,643
GP Equity	\$ 0	\$ 100
Deferred Developer Fee	\$ 0	\$ 199,900
HCD VHHP	\$ 0	\$ 8,540,908
Successor Agency Loan	\$ 2,500,000	\$ 2,500,000
City of San Jose Fee Waiver	\$ 1,273,000	\$ 1,273,000
FHLP AHP	\$ 2,000,000	\$ 2,000,000
Land Donation	\$ 4,050,000	\$ 4,050,000
HCD AHSC	\$ 0	\$ 8,927,557
<b>Total Sources</b>	<u>\$ 55,116,743</u>	<u>\$ 57,284,108</u>

<b>Uses of Funds:</b>	
Land Cost/Acquisition	\$ 4,175,000
New Construction	\$ 37,216,953
Contractor Overhead & Profit	\$ 1,816,738
Architectural Fees	\$ 1,700,000
Survey and Engineering	\$ 150,000
Construction Interest and Fees	\$ 3,636,900
Permanent Financing	\$ 156,260
Legal Fees	\$ 75,000
Reserves	\$ 1,562,365
Appraisal	\$ 20,000
Hard Cost Contingency	\$ 1,951,685
Local Development Impact Fees	\$ 709,395
Other Project Costs	\$ 2,713,812
Developer Costs	\$ 1,400,000
<b>Total Uses</b>	<u>\$ 57,284,108</u>

**Analyst Comments:**

The subject property will be the affordable portion of the North San Pedro Residential Project, a large multi-phase housing master plan in partnership with the San Jose Redevelopment Agency. The entire site is approximately 5.72 acres adjacent to the San Jose Downtown Core Area. The subject property will provide permanent supportive housing for 49 chronically homeless Veterans and six (6) Veterans less-than-honorably discharged through the Veterans Housing and Homeless Prevention funding and VASH project based Section 8 vouchers. In addition, 60 units will serve disabled households as designated by project-based Section 8 vouchers.

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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:**

87 out of 140 [See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approves \$44,000,000 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	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	0
Leveraging	10	10	10
Community Revitalization Area	5	5	0
Site Amenities	10	10	8
Service Amenities	10	10	0
New Construction or Substantial Renovation	10	10	10
Sustainable Building Methods	10	10	9
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>120</b>	<b>87</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.