

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 19, 2017
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Richard Fischer

Applicant: California Municipal Finance Authority

Allocation Amount Requested:

Tax-exempt: \$3,400,000

The amount of allocation requested is supplemental to the \$34,300,000 of allocation the Project received on May 17, 2017.

Project Information:

Name: The Cannery Apartments (Supplemental)
Project Address: 111 Lewis Street
Project City, County, Zip Code: Gilroy, Santa Clara, 95020

Project Sponsor Information:

Name: Gilroy Lewis Street, L.P. (Gilroy Lewis Street, LLC and WCH Affordable XXXI, LLC)
Principals: John Huskey, Kasey Burke and George Russo for Gilroy Lewis Street, LLC; Graham Espley-Jones, Sandra Gibbons and Leanne Truofreh for WCH Affordable XXXI, LLC
Property Management Company: Cambridge Real Estate Services

Project Financing Information:

Bond Counsel: Jones Hall, A Professional Law Corporation
Private Placement Purchaser: JPMorgan Chase Bank, N.A. (construction)/Barings, LLC (permanent)
Cash Flow Permanent Bond: Not Applicable
Public Sale: Not Applicable
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Rating: Not Applicable
TEFRA Noticing Date: March 17, 2017
TEFRA Adoption Date: April 17, 2017

Description of Proposed Project:

State Ceiling Pool: General
Total Number of Units: 104
Manager's Units: 1 Unrestricted
Type: New Construction
Population Served: Family

The Cannery Apartments is a new construction project located in Gilroy on a 4.94-acre site. The project consists of 103 rental units and 1 unrestricted manager's unit. The project will have 5 one-bedroom units, 71 two-bedroom units and 28 three-bedroom units. The buildings will be 2 and 4 story garden style units. Common amenities in the units are bathroom, full kitchen with dishwasher, garbage disposal, oven, and refrigerator; coat closets; carpeting; and central A/C. Building common area amenities consist of a community dining room, community lounge with kitchen and dining room, exercise room, playground, community garden, outdoor eating area, covered parking, bike storage, an on-site management room, laundry facilities, management offices and one bike parking space per unit. The construction is expected to begin June 2017 and be completed in October 2018.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
12% (11 units) restricted to 50% or less of area median income households.
88% (92 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:

Estimated Total Development Cost:	\$ 46,968,798	
Estimated Hard Costs per Unit:	\$ 248,798	(\$25,874,940 /104 units including mgr. units)
Estimated per Unit Cost:	\$ 451,623	(\$46,968,798 /104 units including mgr. units)
Allocation per Unit:	\$ 362,500	(\$37,700,000 /104 units including mgr. units)
Allocation per Restricted Rental Unit:	\$ 366,019	(\$37,700,000 /103 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 37,700,000	\$ 20,371,000
LIH Tax Credit Equity	\$ 4,159,629	\$ 20,798,143
GP Loan	\$ 0	\$ 1,100,000
Deferred Costs	\$ 5,109,169	\$ 4,699,655
Total Sources	\$ 46,968,798	\$ 46,968,798

Uses of Funds:	
Land Cost/Acquisition	\$ 2,941,026
New Construction	\$ 25,874,940
Contractor Overhead & Profit	\$ 1,449,794
Architectural Fees	\$ 685,500
Survey and Engineering	\$ 1,038,205
Construction Interest and Fees	\$ 2,149,385
Permanent Financing	\$ 172,783
Legal Fees	\$ 222,500
Reserves	\$ 430,186
Hard Cost Contingency	\$ 1,374,688
Local Development Impact Fees	\$ 3,931,062
Other Project Costs (Soft Costs)	\$ 1,608,729
Developer Costs	\$ 5,090,000
Total Uses	\$ 46,968,798

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:

65.3 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$3,400,000 in tax exempt bond allocation on a carryforward basis.