

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**March 21, 2018**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Richard Fischer*

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<b>Applicant:</b>	<b>California Municipal Finance Authority</b>
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<b>Allocation Amount Requested:</b>	
<b>Tax-exempt:</b>	\$22,000,000

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<b>Project Information:</b>	
<b>Name:</b>	<b>Monterey Gateway Apartments</b>
<b>Project Address:</b>	Monterey & 10th Street
<b>Project City, County, Zip Code:</b>	Gilroy, Santa Clara, 95020

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<b>Project Sponsor Information:</b>	
<b>Name:</b>	Gilroy Monterey LP (Johnson & Johnson Investments LLC and Community Revitalization & Development Corporation)
<b>Principals:</b>	Daniel J. Johnson & Kendra L. Johnson for Johnson & Johnson Investments LLC; John Wilson, Fred Quigley, Bert Meyer, John Sharrah, Kenny Breedlove and David Rutledge for Community Revitalization & Development Corporation
<b>Property Management Company:</b>	FPI Management Company

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<b>Project Financing Information:</b>	
<b>Bond Counsel:</b>	Orrick, Herrington & Sutcliffe LLP
<b>Private Placement Purchaser:</b>	Citibank, N.A.
<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>	November 20, 2017
<b>TEFRA Adoption Date:</b>	December 4, 2017

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<b>Description of Proposed Project:</b>	
<b>State Ceiling Pool:</b>	General
<b>Total Number of Units:</b>	75
<b>Manager's Units:</b>	1 Unrestricted
<b>Type:</b>	New Construction
<b>Population Served:</b>	Family

Monterey Gateway Apartments is a new construction project located in Gilroy on a 1.86-acre site. The project consists of 74 restricted rental units and 1 unrestricted manager unit. The project will have 60 one-bedroom units and 15 two-bedroom units. The building will be four stories tall and wood framed on a reinforced concrete slab. The community building will also be providing a computer learning lab, classroom, exercise room and lounge or community room that will also contain a kitchen. A closed circuit television system will also be installed. On both the first and second floor will be two commercial grade laundry rooms. Each unit will have a kitchen, storage closets, cabinets, side-transfer bathtub, bathroom lavatory and connections for in-unit washers and dryers. Unit heating and cooling will be provided by efficient units. Lighting within units proposed to be high efficiency LED lighting. All water fixtures will be low-use or low-flush fixtures. The construction is expected to begin April 2018 and be completed in September 2019.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%  
59% (44 units) restricted to 50% or less of area median income households.  
41% (30 units) restricted to 60% or less of area median income households.  
**Unit Mix:** 1 & 2 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>	\$	31,645,710	
<b>Estimated Hard Costs per Unit:</b>	\$	188,667	(\$14,150,000 /75 units including mgr. unit)
<b>Estimated per Unit Cost:</b>	\$	421,943	(\$31,645,710 /75 units including mgr. unit)
<b>Allocation per Unit:</b>	\$	293,333	(\$22,000,000 /75 units including mgr. unit)
<b>Allocation per Restricted Rental Unit:</b>	\$	297,297	(\$22,000,000 /74 restricted units)

<b>Sources of Funds:</b>	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 22,000,000	\$ 10,950,000
LIH Tax Credit Equity	\$ 2,145,709	\$ 10,756,686
Seller Carryback Loan	\$ 0	\$ 2,439,024
County of Santa Clara Cap Fund	\$ 4,000,000	\$ 4,000,000
County of Santa Clara Aquisition Fund	\$ 3,500,000	\$ 3,500,000
<b>Total Sources</b>	<b>\$ 31,645,709</b>	<b>\$ 31,645,710</b>

<b>Uses of Funds:</b>	
Land Cost/Acquisition	\$ 3,842,253
New Construction	\$ 14,651,927
Contractor Overhead & Profit	\$ 1,721,150
Architectural Fees	\$ 363,620
Survey and Engineering	\$ 150,000
Construction Interest and Fees	\$ 2,426,167
Permanent Financing	\$ 555,000
Legal Fees	\$ 115,000
Reserves	\$ 139,418
Appraisal	\$ 10,000
Hard Cost Contingency	\$ 818,654
Local Development Impact Fees	\$ 2,710,137
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 625,141
Developer Costs	\$ 3,517,243
<b>Total Uses</b>	<b>\$ 31,645,710</b>

**Analyst Comments:**

None

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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:**

64.2 out of 140 [See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approves \$22,000,000 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 Projects	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]	9.2
Large Family Units	5	5	0
Leveraging	10	10	10
Community Revitalization Area	5	5	0
Site Amenities	10	10	0
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>120</b>	<b>64.2</b>