

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**July 18, 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 Housing Finance Agency</b>
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<b>Allocation Amount Requested:</b>	<b>Tax-exempt:</b> \$26,907,500
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<b>Project Information:</b>	<b>Name:</b> Leigh Avenue Senior Apartments
	<b>Project Address:</b> 1030 Leigh Avenue
	<b>Project City, County, Zip Code:</b> San Jose, Santa Clara, 95126

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<b>Project Sponsor Information:</b>	<b>Name:</b> Leigh Avenue Apartments, LP (Leigh Avenue Apartments, LLC)
	<b>Principals:</b> Geoffrey Morgan for Leigh Avenue Apartments, LLC
	<b>Property Management Company:</b> 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> Citibank, N.A./CalHFA Permanent Loan
	<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> December 7, 2017
	<b>TEFRA Adoption Date:</b> January 8, 2018

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<b>Description of Proposed Project:</b>	<b>State Ceiling Pool:</b> General
	<b>Total Number of Units:</b> 64
	<b>Manager's Units:</b> 1 Unrestricted
	<b>Type:</b> New Construction
	<b>Population Served:</b> Senior Citizens

Leigh Avenue Senior Apartments is a new construction project located in San Jose on a 5-acre site. The project consists of 63 restricted rental units, and 1 unrestricted manager unit. The project will have 63 one-bedroom units and 1 two-bedroom unit. The building will be 4 stories, first floor being concrete podium and 3 stories of wood frame construction above. Common amenities include multiple community rooms, laundry facilities, management offices, Resident Services Coordinator and a Case Manager office, computer lab and a community courtyard. Each unit will have ADA capatability. Not all units will be set up as fully accessible ADA units, but all are designed to adapt, if necessary, in the future. There are 3 handicap accessible parking spaces in the building parking provided. The project will be pursuing LEED Platinum certification. The construction is expected to begin in the Fall of 2018 and be completed in the Spring of 2020.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%  
100% (63 units) restricted to 50% or less of area median income households.  
**Unit Mix:** 1 bedroom

The proposed project will be receiving service amenity points for providing to Project residents instructor-led educational, health and wellness, or senior focused skill building classes and the Project will offer to Project residents a bona fide service coordinator.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

<b>Estimated Total Development Cost:</b>	\$ 53,753,384	
<b>Estimated Hard Costs per Unit:</b>	\$ 403,379	(\$25,816,278 /64 units including mgr. units)
<b>Estimated per Unit Cost:</b>	\$ 839,897	(\$53,753,384 /64 units including mgr. units)
<b>Allocation per Unit:</b>	\$ 420,430	(\$26,907,500 /64 units including mgr. units)
<b>Allocation per Restricted Rental Unit:</b>	\$ 427,103	(\$26,907,500 /63 restricted units)

<b>Sources of Funds:</b>	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 26,907,500	\$ 8,967,000
Taxable Bond Proceeds	\$ 700,000	\$ 0
LIH Tax Credit Equity	\$ 3,211,421	\$ 16,971,119
Deferred Developer Fee	\$ 0	\$ 1,750,000
Deferred Costs	\$ 4,249,363	\$ 0
Commercial Space	\$ 0	\$ 700,000
City of San Jose	\$ 6,056,200	\$ 9,000,000
Santa Clara County	\$ 9,750,000	\$ 13,486,365
SCC Accrued/Deferred Interest	\$ 682,500	\$ 682,500
AHP	\$ 750,000	\$ 750,000
City of SJ Parkland Fee Waiver	\$ 1,446,400	\$ 1,446,400
<b>Total Sources</b>	<b>\$ 53,753,384</b>	<b>\$ 53,753,384</b>

<b>Uses of Funds:</b>	
Land Cost/Acquisition	\$ 4,598,937
New Construction	\$ 29,164,694
Contractor Overhead & Profit	\$ 1,600,707
Architectural Fees	\$ 1,550,000
Survey and Engineering	\$ 665,000
Construction Interest and Fees	\$ 2,755,694
Permanent Financing	\$ 139,930
Legal Fees	\$ 60,000
Reserves	\$ 714,659
Appraisal	\$ 11,500
Hard Cost Contingency	\$ 2,144,719
Local Development Impact Fees	\$ 1,746,400
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 4,351,144
Developer Costs	\$ 4,250,000
<b>Total Uses</b>	<b>\$ 53,753,384</b>

**Analyst Comments:**

This project is considered a high cost per unit project. According to the Project Sponsor, the Bay Area construction market continuous to outpace the available subcontractors' capacity. The shape of building is odd shaped contributing to additional construction costs. Material costs continue to escalate with the high demand for construction materials in the area. The construction budget is based on estimated 2018 and 2019 costs for future work. The Project has been in development phase for 12 years and the design, redesign and loan fees, permits added to the costs.

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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:**

94 out of 140 [See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approves \$26,907,500 in tax-exempt bond allocation on a carryforward basis.

**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]	10
Large Family Units	5	5	0
Leveraging	10	10	10
Community Revitalization Area	5	5	0
Site Amenities	10	10	10
Service Amenities	10	10	10
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>94</b>