

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
September 19, 2018
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Sarah Lester

Applicant: California Housing Finance Agency

Allocation Amount Requested:
Tax-exempt: \$49,400,000

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

Project Sponsor Information:
Name: North San Pedro Apartments, LP (North San Pedro Apartments, LLC)
Principals: Geoffrey Morgan and Dave Munson
Property Management Company: John Stewart Company

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Private Placement Purchaser: Citibank, N.A./California Housing Finance Agency
Cash Flow Permanent Bond: Not Applicable
Public Sale: Not Applicable
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Rating: Not Applicable
TEFRA Noticing Date: July 17, 2018
TEFRA Adoption Date: August 13, 2018

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

North San Pedro Apartments is a new construction project located in San Jose on a 0.7-acre site. The project consists of 134 restricted rental units and 1 unrestricted manager unit. The project will have 118 studio units, 16 one-bedroom units and 1 two-bedroom unit. The building will have five-stories of residential units over one level of structured parking for a total of six-stories. Common amenities include a community room with full kitchen, manager office, two large outdoor landscaped courtyards, garden areas, BBQ area, and a computer lab. Each unit will have a refrigerator, range/oven and dishwasher. There will be 49 parking spaces provided. The project is registered in the LEED for Homes Mid-Rise program and is expected to receive a LEED Platinum certification. The construction is expected to begin October 2018 and be completed in October 2020.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (134 units) restricted to 50% or less of area median income households.
Unit Mix: Studio, 1 & 2 bedrooms

The proposed project will be receiving service amenity points.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 63,555,704	
Estimated Hard Costs per Unit:	\$ 290,632	(\$39,235,319 /135 units including mgr. unit)
Estimated per Unit Cost:	\$ 470,783	(\$63,555,704 /135 units including mgr. unit)
Allocation per Unit:	\$ 365,926	(\$49,400,000 /135 units including mgr. unit)
Allocation per Restricted Rental Unit:	\$ 368,657	(\$49,400,000 /134 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 49,400,000	\$ 13,150,000
Sponsor Loan	\$ 2,500,000	\$ 2,500,000
HCD-VHHP	\$ 0	\$ 8,540,908
LIH Tax Credit Equity	\$ 1,790,460	\$ 18,212,469
Deferred Costs	\$ 42,000	\$ 42,000
HCD-AHSC	\$ 0	\$ 8,927,557
AHP	\$ 2,000,000	\$ 2,000,000
CalHFA Deferred Loan	\$ 0	\$ 1,420,000
Santa Clara County Loan	\$ 7,200,000	\$ 7,200,000
Accrued Deferred Interest	\$ 112,770	\$ 112,770
General Partner	\$ 100	\$ 1,450,000
Total Sources	\$ 63,045,330	\$ 63,555,704

Uses of Funds:	
Land Cost/Acquisition	\$ 305,000
New Construction	\$ 41,981,786
Contractor Overhead & Profit	\$ 2,746,472
Architectural Fees	\$ 2,255,000
Construction Interest and Fees	\$ 4,102,240
Permanent Financing	\$ 155,700
Legal Fees	\$ 110,000
Reserves	\$ 1,620,885
Appraisal	\$ 35,000
Hard Cost Contingency	\$ 2,211,356
Local Development Impact Fees	\$ 2,000,000
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 3,182,265
Developer Costs	\$ 2,850,000
Total Uses	\$ 63,555,704

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:

90 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$49,400,000 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	5
New Construction or Substantial Renovation	10	10	10
Sustainable Building Methods	10	10	10
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
Total Points	140	120	90