

**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*

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**Applicant:** California Housing Finance Agency

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

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**Project Information:**

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

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**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

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**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

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**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:**

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

<b>Sources of Funds:</b>	<u>Construction</u>	<u>Permanent</u>
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
<b>Total Sources</b>	<b>\$ 63,045,330</b>	<b>\$ 63,555,704</b>

<b>Uses of Funds:</b>	
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
<b>Total Uses</b>	<b>\$ 63,555,704</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:**

90 out of 140 [See Attachment A]

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**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
<b>Total Points</b>	<b>140</b>	<b>120</b>	<b>90</b>