

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 15, 2019
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Chee Thao Yang

Applicant: City of San Jose

Allocation Amount Requested:
Tax-exempt: \$23,000,000

Project Information:
Name: Lenzen Square
Project Address: 790 Lenzen Avenue
Project City, County, Zip Code: San Jose, Santa Clara County, 95113

Project Sponsor Information:
Name: Lenzen Square Community Partners, LP (WNC-Lenzen Square Community Partners GP, LLC; FFAH V Lenzen Square, LLC)
Principals: Will Cooper Jr. for WNC Lenzen Square Community Partners GP, LLC; Deborah A. Willard for FFAH V Lenzen Square, LLC
Property Management Company: FPI Management, Inc

Project Financing Information:
Bond Counsel: Stradling, Yocca, Carlson & Rauth
Private Placement Purchaser: RedStone
Cash Flow Permanent Bond: Not Applicable
Public Sale: Not Applicable
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Rating: Not Applicable
TEFRA Noticing Date: February 14, 2019
TEFRA Adoption Date: March 25, 2019

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 88
Manager's Units: 1 Unrestricted
Type: Acquisition and Rehabilitation
Population Served: Family

Lenzen Square Apartments is an existing project located in San Jose on a 1.60-acre site. The project consists of 87 restricted rental units and 1 unrestricted managers' unit. The project has 38 studio units, 38 one-bedroom units, and 12 two-bedroom units. The renovations will include some building exterior upgrades. Building exterior renovations will consist of window replacements, re-roofing, and a fresh coat of paint. Individual apartment units will be updated with countertops, cabinetry, flooring, new refrigerators, ranges, range hoods and dishwashers. Lastly, common or site area renovations will consist of ADA updates, parking lot, and site fencing. The rehabilitation is expected to begin in June 2019 and be completed in December 2019.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
26% (23 units) restricted to 50% or less of area median income households.
74% (64 units) restricted to 60% or less of area median income households.
Unit Mix: Studio, 1 & 2 bedrooms

The proposed project will not be receiving service amenity points.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 32,500,702	
Estimated Hard Costs per Unit:	\$ 30,470	(\$2,681,360 /88 units including mgr. unit)
Estimated per Unit Cost:	\$ 369,326	(\$32,500,702 /88 units including mgr. unit)
Allocation per Unit:	\$ 261,364	(\$23,000,000 /88 units including mgr. unit)
Allocation per Restricted Rental Unit:	\$ 264,368	(\$23,000,000 /87 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 20,000,000	\$ 13,519,000
Tranche B Financing	\$ 3,000,000	\$ 3,000,000
LIH Tax Credit Equity	\$ 2,851,939	\$ 10,044,521
Deferred Developer Fee	\$ 3,880,715	\$ 3,169,133
NOI	\$ 2,768,048	\$ 2,768,048
Total Sources	\$ 32,500,702	\$ 32,500,702

Uses of Funds:	
Land Cost/Acquisition	\$ 21,000,000
Rehabilitation	\$ 2,911,957
Relocation	\$ 75,000
Contractor Overhead & Profit	\$ 214,510
Architectural Fees	\$ 75,000
Survey and Engineering	\$ 56,050
Construction Interest and Fees	\$ 2,520,620
Legal Fees	\$ 160,000
Reserves	\$ 324,000
Appraisal	\$ 5,750
Hard Cost Contingency	\$ 312,647
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 964,453
Developer Costs	\$ 3,880,715
Total Uses	\$ 32,500,702

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:

50.5 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$23,000,000 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	33
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	0
Community Revitalization Area	5	5	0
Site Amenities	10	10	7.5
Service Amenities	10	10	0
New Construction or Substantial Renovation	10	10	0
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
Total Points	140	120	50.5