

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
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Allocation Amount Requested:	
Tax-exempt:	\$16,000,000

Project Information:	
Name:	Palm Court Apartments
Project Address:	1200 Lick Avenue
Project City, County, Zip Code:	San Jose, Santa Clara, 95100

Project Sponsor Information:	
Name:	Palm Court San Jose, LP (Palm Court San Jose, LLC)
Principals:	Mary Murtagh, Laura Hall, Kevin, Carney, Marian Gushiken, Cathy Macy, Welton Jordan and Dave Egan
Property Management Company:	EAH, Inc.

Project Financing Information:	
Bond Counsel:	Kutak Rock LLP
Private Placement Purchaser:	MUFG Union Bank, N.A.
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 20, 2019
TEFRA Adoption Date:	March 25, 2019

Description of Proposed Project:	
State Ceiling Pool:	General
Total Number of Units:	66
Manager's Units:	1 Unrestricted
Type:	Acquisition and Rehabilitation
Population Served:	Senior Citizens

Palm Court Apartments is an existing project located in San Jose on a 1.3-acre site. The project consists of 65 restricted rental units and 1 unrestricted managers' unit. The project has 65 one-bedroom units and 1 two-bedroom unit that will be the manager unit. The renovations will include building exterior and interior upgrades. Building exterior renovations will consist of repairs to the irrigation system, selective landscape repairs, repair or replacement of private patio fencing and anticipated painting for the exterior. Interior renovations will include repair or replacement of damaged pipes. Individual apartment units will be updated with flooring upgrades, cabinets, countertops, new appliances and new HVAC. Lastly, common or site area renovations will consist of mobility upgrades. The rehabilitation is expected to begin in September 2019 and be completed in July 2020.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (65 units) restricted to 50% or less of area median income households.
0% (0 units) restricted to 60% or less of area median income households.
Unit Mix: 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: \$ 23,883,692
Estimated Hard Costs per Unit: \$ 76,811 (\$5,069,531 /66 units including mgr. unit)
Estimated per Unit Cost: \$ 361,874 (\$23,883,692 /66 units including mgr. unit)
Allocation per Unit: \$ 242,424 (\$16,000,000 /66 units including mgr. unit)
Allocation per Restricted Rental Unit: \$ 246,154 (\$16,000,000 /65 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 16,000,000	\$ 3,216,000
LIH Tax Credit Equity	\$ 64,352	\$ 8,228,730
Deferred Costs	\$ 876,894	\$ 0
Sponsor Loan	\$ 0	\$ 5,353,237
Net Income From Operations	\$ 0	\$ 143,279
City of San Jose	\$ 4,583,457	\$ 4,583,457
GP Recontributed Fee	\$ 1,702,691	\$ 1,702,691
Existing Project Reserves	\$ 656,298	\$ 656,298
Total Sources	\$ 23,883,692	\$ 23,883,692

Uses of Funds:	
Land Cost/Acquisition	\$ 11,000,000
Rehabilitation	\$ 5,300,690
Relocation	\$ 749,344
Contractor Overhead & Profit	\$ 130,243
Architectural Fees	\$ 318,761
Survey and Engineering	\$ 73,832
Construction Interest and Fees	\$ 1,499,185
Permanent Financing	\$ 43,481
Legal Fees	\$ 115,000
Reserves	\$ 225,432
Appraisal	\$ 27,500
Hard Cost Contingency	\$ 814,640
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 699,471
Developer Costs	\$ 2,886,113
Total Uses	\$ 23,883,692

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:

49 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$16,000,000 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]	8.6
Large Family Units	5	5	0
Leveraging	10	10	0
Community Revitalization Area	5	5	0
Site Amenities	10	10	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	48.6