

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 17, 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: \$32,207,500

Project Information:
Name: Quetzal Gardens
Project Address: 1695 Alum Rock
Project City, County, Zip Code: San Jose, Santa Clara, 95116

Project Sponsor Information:
Name: Quetzal Gardens, LP (RCD GP III LLC; Resources for Community Development)
Principals: Dianna Garrett and Artise Hardy for RCD GP III LLC; Kattye Giles and Janet Kennedy for Resources for Community Development
Property Management Company: John Stewart Company

Project Financing Information:
Bond Counsel: Quint & Thimmig LLP
Private Placement Purchaser: Bank of the West
Cash Flow Permanent Bond: Not Applicable
Public Sale: Not Applicable
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Rating: Not Applicable
TEFRA Noticing Date: April 18, 2019
TEFRA Adoption Date: May 21, 2019

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 71
Manager's Units: 1 Unrestricted
Type: New Construction
Population Served: Family

Quetzal Gardens Apartments is a new construction project located in San Jose on a 0.74-acre site. The project consists of 70 restricted rental units, and 1 unrestricted manager unit. The project will have 30 one-bedroom units, 13 two-bedroom units, and 28 three-bedroom units. The building will be 6 stories. Common amenities include a lobby, property management offices, large community room, offices for service providers, laundry room, play/recreational area, and a quiet courtyard with transitional space in between. Each unit will have individual water heaters, individual mini-split HVAC systems, refrigerator, sink, stove, toilet, vanity cabinet, tub/shower windows, light fixtures, and dishwashers in the 3-bedroom units. There are 61 residential parking spaces provided. The construction is expected to begin November 2019 and be completed June 2021.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
67% (47 units) restricted to 50% or less of area median income households.
11% (8 units) restricted to 60% or less of area median income households.
Unit Mix: 1, 2 & 3 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: \$ 57,629,289
Estimated Hard Costs per Unit: \$ 513,861 (\$36,484,099 /71 units including mgr. unit)
Estimated per Unit Cost: \$ 811,680 (\$57,629,289 /71 units including mgr. unit)
Allocation per Unit: \$ 453,627 (\$32,207,500 /71 units including mgr. unit)
Allocation per Restricted Rental Unit: \$ 460,107 (\$32,207,500 /70 restricted units)

| Sources of Funds: | <u>Construction</u> | <u>Permanent</u> |
|--|----------------------|----------------------|
| Tax-Exempt Bond Proceeds | \$ 32,207,500 | \$ 9,964,061 |
| LIH Tax Credit Equity | \$ 6,589,188 | \$ 24,646,037 |
| Deferred Developer Fee | \$ 1,432,161 | \$ 1,432,161 |
| Deferred Costs | \$ 4,221,284 | \$ 0 |
| County of Santa Clara - Measure A Loan | \$ 8,565,534 | \$ 8,565,534 |
| City of San Jose Loan | \$ 9,557,078 | \$ 9,984,212 |
| FHLB - AHP Loan | \$ 700,000 | \$ 700,000 |
| Accrued Interest | \$ 809,953 | \$ 382,819 |
| HCD SHMHP Program Loan | \$ 0 | \$ 7,107,082 |
| General Partner Contribution | \$ 0 | \$ 1,300,792 |
| Total Sources | \$ 64,082,698 | \$ 64,082,698 |

| Uses of Funds: | <u>Residential Only</u> | <u>Commercial Only</u> |
|---|-------------------------|------------------------|
| Land Cost/Acquisition | \$ 50,636 | \$ 5,922 |
| New Construction | \$ 35,669,322 | \$ 4,171,314 |
| Contractor Overhead & Profit | \$ 1,306,569 | \$ 152,795 |
| Architectural Fees | \$ 2,321,079 | \$ 271,436 |
| Survey and Engineering | \$ 335,738 | \$ 39,262 |
| Construction Interest and Fees | \$ 4,681,950 | \$ 449,297 |
| Permanent Financing | \$ 182,161 | \$ 9,918 |
| Legal Fees | \$ 165,632 | \$ 19,368 |
| Reserves | \$ 1,991,565 | \$ 100,000 |
| Appraisal | \$ 19,697 | \$ 2,303.00 |
| Hard Cost Contingency | \$ 3,697,589 | \$ 432,411 |
| Local Development Impact Fees | \$ 1,589,158 | \$ 185,842 |
| Other Project Costs (Soft Costs, Marketing, etc.) | \$ 2,036,993 | \$ 194,741 |
| Developer Costs | \$ 3,581,200 | \$ 418,800 |
| Total Uses | \$ 57,629,289 | \$ 6,453,409 |

Analyst Comments:

This project is considered a high cost per unit project due to incorporating city requirements related to Urban Village requirements, additional parking due to concerns from community and having approximately 40% of their units as 3-bedroom units.

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:

60 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$32,207,500 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 | 5 |
| Leveraging | 10 | 10 | 0 |
| Community Revitalization Area | 5 | 5 | 0 |
| Site Amenities | 10 | 10 | 0 |
| Service Amenities | 10 | 10 | 0 |
| New Construction or Substantial Renovation | 10 | 10 | 10 |
| 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 | 60 |