

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**October 16, 2019**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Richard Fischer*

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<b>Applicant:</b>	<b>California Statewide Communities Development Authority</b>
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<b>Allocation Amount Requested:</b>	
<b>Tax-exempt:</b>	\$120,000,000

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<b>Project Information:</b>	
<b>Name:</b>	<b>Valley Palms Apartments</b>
<b>Project Address:</b>	2155-2245 Lanai Avenue
<b>Project City, County, Zip Code:</b>	San Jose, Santa Clara, 95122

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<b>Project Sponsor Information:</b>	
<b>Name:</b>	Valley Palms 2018 LP (Valley Palms 2018 COGP LLC & Marquis E. Hyatt for Valley Palms 2018 COGP LLC; William W. Hirsch and Visalios Salamandrakis for AHA San Jose II MGP, LLC
<b>Principals:</b>	
<b>Property Management Company:</b>	VPM Management, Inc.

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<b>Project Financing Information:</b>	
<b>Bond Counsel:</b>	Orrick, Herrington & Sutcliffe LLP
<b>Private Placement Purchaser:</b>	Citibank, N.A./KDF Valley Palms, L.P.
<b>Cash Flow Permanent Bond:</b>	KDF Valley Palms, L.P.
<b>Public Sale:</b>	Not Applicable
<b>Underwriter:</b>	Not Applicable
<b>Credit Enhancement Provider:</b>	Not Applicable
<b>Rating:</b>	Not Applicable
<b>TEFRA Noticing Date:</b>	January 22, 2019
<b>TEFRA Adoption Date:</b>	February 5, 2019

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<b>Description of Proposed Project:</b>	
<b>State Ceiling Pool:</b>	General
<b>Total Number of Units:</b>	354
<b>Manager's Units:</b>	4 Unrestricted
<b>Type:</b>	Acquisition and Rehabilitation
<b>Population Served:</b>	Family

Valley Palms Apartments is an existing project located in San Jose on a 17.46-acre site. The project consists of 350 restricted rental units and 4 unrestricted manager units. The project has 28 one-bedroom units and 326 two-bedroom units. The renovations will include building exterior and interior upgrades. Building exterior renovations will consist of stucco repairs, roof replacement, window replacements and a fresh coat of paint. Interior renovations will include laundry room, leasing office and community room upgrades. Individual apartment units will be updated with a new kitchen appliance package, paint and electrical lighting updates. The rehabilitation is expected to begin in August 2019 and will be completed in August 2020.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%

30% (106 units) restricted to 50% or less of area median income households.

70% (244 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:**

<b>Estimated Total Development Cost:</b>	\$ 157,511,878	
<b>Estimated Hard Costs per Unit:</b>	\$ 38,916	(\$13,776,330 /354 units including mgr. units)
<b>Estimated per Unit Cost:</b>	\$ 444,949	(\$157,511,878 /354 units including mgr. units)
<b>Allocation per Unit:</b>	\$ 338,983	(\$120,000,000 /354 units including mgr. units)
<b>Allocation per Restricted Rental Unit:</b>	\$ 342,857	(\$120,000,000 /350 restricted units)

<b>Sources of Funds:</b>	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 113,000,000	\$ 84,109,000
Cash Flow Permanent Bonds	\$ 7,000,000	\$ 7,000,000
LIH Tax Credit Equity	\$ 17,771,338	\$ 44,428,344
Developer Equity	\$ 1,843,660	\$ 1,843,660
Deferred Developer Fee	\$ 0	\$ 13,309,960
Net Income From Operations	\$ 6,820,914	\$ 6,820,914
<b>Total Sources</b>	\$ 146,435,912	\$ 157,511,878

<b>Uses of Funds:</b>	
Land Cost/Acquisition	\$ 110,500,000
Rehabilitation	\$ 14,396,265
Relocation	\$ 432,000
Contractor Overhead & Profit	\$ 1,308,752
Architectural Fees	\$ 158,100
Survey and Engineering	\$ 15,000
Construction Interest and Fees	\$ 6,989,951
Permanent Financing	\$ 1,127,000
Legal Fees	\$ 150,000
Reserves	\$ 1,659,767
Appraisal	\$ 5,850
Hard Cost Contingency	\$ 2,355,752
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 449,441
Developer Costs	\$ 17,964,000
<b>Total Uses</b>	\$ 157,511,878

**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:**

63.7 out of 140 [See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approves \$120,000,000 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]	8.7
Large Family Units	5	5	0
Leveraging	10	10	0
Community Revitalization Area	5	5	0
Site Amenities	10	10	10
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
<b>Total Points</b>	<b>140</b>	<b>120</b>	<b>63.7</b>