

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**

**April 14, 2020**

**Staff Report**

**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A  
QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Sarah Lester*

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<b>Applicant:</b>	<b>California Public Finance Authority</b>
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<b>Allocation Amount Requested:</b>	
<b>Tax-exempt:</b>	\$31,400,000

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<b>Project Information:</b>	
<b>Name:</b>	<b>Casa Del Rio and Santa Cruz Riverfront Apartments</b>
<b>Project Address:</b>	170 Blaine Street & 148 Blaine Street
<b>Project City, County, Zip Code:</b>	Santa Cruz, Santa Cruz, 95060

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<b>Project Sponsor Information:</b>	
<b>Name:</b>	Reliant - Santa Cruz, LP (Gung Ho - Santa Cruz, LLC and Rainbow - Santa Cruz, LLC)
<b>Principals:</b>	Joseph L. Sherman and J. Caskie Collet for Gung Ho - Santa Cruz, LLC; Flynn Janisse for Rainbow - Santa Cruz, LLC
<b>Property Management Company:</b>	FPI Management

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<b>Project Financing Information:</b>	
<b>Bond Counsel:</b>	Cox, Castle & Nicholson
<b>Private Placement Purchaser:</b>	Citibank, N.A./Reliant CAP IX, LLC
<b>Cash Flow Permanent Bond:</b>	Not Applicable
<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 7, 2020
<b>TEFRA Adoption Date:</b>	January 14, 2020

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<b>Description of Proposed Project:</b>	
<b>State Ceiling Pool:</b>	General
<b>Total Number of Units:</b>	103
<b>Manager's Units:</b>	1 Unrestricted
<b>Type:</b>	Acquisition and Rehabilitation
<b>Population Served:</b>	Family

Casa Del Rio and Santa Cruz Riverfront Apartments is an existing project located in San Jose on a 3.85-acre site. The project consists of 102 restricted rental units and 1 unrestricted manager unit. The project has 59 one-bedroom units, 36 two-bedroom units and 8 three-bedroom units. The renovations will include building exterior and interior upgrades. Renovations will consist of window and patio door replacements, renovation of community buildings, laundry facilities, addition of new fitness area, business center and gathering areas for residents, installation of BBQ and free WiFi, repair damaged railings and building facades, roof replacement, remove and replace water heaters and furnaces, create ADA compliant paths, upgrade energy efficient lighting fixtures, upgrade landscaping with drought tolerant plants, repair concrete walks, curbs and gutters, repair and resurface parking lots and install new building, unit entry and monument signs. Individual apartment units will be updated with new cabinets and countertops in kitchens and baths, new energy efficient appliances, low flow toilets, faucets and showerheads, energy efficient lighting and fixtures, new flooring in kitchens, hallways and baths and new microwaves and dishwashers at the Riverfront site. The rehabilitation is expected to begin in April 2020 and be completed in December 2020.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%  
45% (46 units) restricted to 50% or less of area median income households.  
55% (56 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:** \$ 57,646,438  
**Estimated Hard Costs per Unit:** \$ 60,000 (\$6,180,000 /103 units including mgr. unit)  
**Estimated per Unit Cost:** \$ 559,674 (\$57,646,438 /103 units including mgr. unit)  
**Allocation per Unit:** \$ 304,854 (\$31,400,000 /103 units including mgr. unit)  
**Allocation per Restricted Rental Unit:** \$ 307,843 (\$31,400,000 /102 restricted units)

<b>Sources of Funds:</b>	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 23,900,000	\$ 23,900,000
Tranche B Financing	\$ 7,500,000	\$ 7,500,000
Taxable Bond Proceeds	\$ 6,100,000	\$ 6,100,000
LIH Tax Credit Equity	\$ 15,986,733	\$ 16,652,847
Deferred Developer Fee	\$ 0	\$ 3,493,591
Deferred Costs	\$ 4,159,705	\$ 0
<b>Total Sources</b>	<b>\$ 57,646,438</b>	<b>\$ 57,646,438</b>

<b>Uses of Funds:</b>	
Land Cost/Acquisition	\$ 36,590,500
Rehabilitation	\$ 7,433,670
Relocation	\$ 49,077
Contractor Overhead & Profit	\$ 432,600
Architectural Fees	\$ 275,000
Construction Interest and Fees	\$ 4,028,487
Permanent Financing	\$ 503,133
Legal Fees	\$ 452,500
Reserves	\$ 539,709
Appraisal	\$ 17,000
Hard Cost Contingency	\$ 1,091,627
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 273,273
Developer Costs	\$ 5,959,862
<b>Total Uses</b>	<b>\$ 57,646,438</b>

**Analyst Comments:**

This project is considered a high cost per unit project. According to the Applicant, the factors contributing to the high cost are as follows: acquisition costs; increase in renovation costs; the project is in a HUD-designated Difficult Development Area, which highlights areas with high land, construction, and utility costs; and the election of deeper affordability restrictions to create and preserve the limited supply of affordable housing in the Santa Cruz Market.

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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:**

112.3 out of 145 [See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$31,400,000 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	20
Exceeding Minimum Income Restrictions:	35	15	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	0
Large Family Units	5	5	0
Gross Rents	5	5	5
Leveraging	10	10	5.3
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	7
Forgone Eligible Developer Fee (Competitive Allocation Process Only)	10	10	10
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	10
Negative Points (No Maximum)	-10	-10	0
<b>Total Points</b>	<b>145</b>	<b>125</b>	<b>112.3</b>