Agenda Item No. 4.23
Application No. 20-615

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
September 16, 2020
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Richard Fischer

Applicant:	**City of San Jose**
Allocation Amount Requested:	
Tax-exempt:	$34,314,000
Project Information:	
Name:	**Arya Apartments**
Project Address:	500 Almaden Boulevard
Project City, County, Zip Code:	San Jose, Santa Clara, 95110
Project Sponsor Information:	
Name:	SAHA Arya, L.P. (Satellite AHA Development Inc.)
Principals:	Susan Friedland for Satellite AHA Development, Inc.
Property Management Company:	Satellite Affordable Housing Associates PM
Project Financing Information:	
Bond Counsel:	Quint & Thimmig LLP
Private Placement Purchaser:	Silicon Valley Bank and California Community Reinvestment Corporation
Cash Flow Permanent Bond:	Not Applicable
Public Sale:	Not Applicable
Underwriter:	Not Applicable
Credit Enhancement Provider:	Not Applicable
Rating:	Not Applicable
Description of Proposed Project:	
State Ceiling Pool:	General
Total Number of Units:	87
Manager's Units:	1 Unrestricted
Type:	New Construction
Population Served:	Family

Arya Apartments is a new construction project located in San Jose on a .38-acre site. The project will consist of 86 restricted rental units and 1 unrestricted manager unit. The project will have 19 studios, 54 one-bedroom units and 14 two-bedroom units. The project will be an 8 story high building. Common amenities will include a common space, large community room with a kitchen, small multipurpose room, resident artist studios and classroom, laundry facilities, management office and car and bike parking. Each unit will have energy efficient heating, air conditioning, kitchen appliances and free Wi-Fi. There will be 40 parking spaces provided. The project will be pursuing GreenPoint Rating Gold status. Green features will include solar hot water and photovoltaic panels to offset common hot water and energy loads, storm water management, drought tolerant and native species landscaping, water efficient showerheads, faucets, toilets and secure bike storage. The construction is expected to begin January 2021 and be completed in January 2023.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

65% (56 units) restricted to 50% or less of area median income households.

35% (30 units) restricted to 60% or less of area median income households.

Unit Mix: Studio, 1 & 2 bedroon

The proposed project will be receiving service amenity points.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	$ 65,081,369		
Estimated Hard Costs per Unit:	$ 454,159	($39,511,849	/87 units including mgr. unit)
Estimated per Unit Cost:	$ 748,062	($65,081,369	/87 units including mgr. unit)
Allocation per Unit:	$ 394,414	($34,314,000	/87 units including mgr. unit)
Allocation per Restricted Rental Unit:	$ 399,000	($34,314,000	/86 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	$ 34,314,000	$ 6,234,238
LIH Tax Credit Equity	$ 0	$ 22,693,512
Developer Equity	$ 2,164,608	$ 928,053
Deferred Developer Fee	$ 371,947	$ 371,947
Deferred Costs	$ 3,073,099	$ 0
Taxable Loan	$ 3,540,000	$ 0
City of San Jose Loan	$ 13,489,960	$ 13,489,960
City of San Jose Land Donation	$ 4,550,000	$ 4,550,000
HCD Infill	$ 3,577,755	$ 3,577,755
HCD AHSC Loan	$ 0	$ 12,777,880
San Jose City Loan Accrued Int.	$ 0	$ 458,024
Total Sources	$ 65,081,369	$ 65,081,369

Uses of Funds:	
Land Cost/Acquisition	$ 4,555,000
New Construction	$ 41,903,256
Contractor Overhead & Profit	$ 2,811,732
Architectural Fees	$ 1,639,863
Survey and Engineering	$ 648,825
Construction Interest and Fees	$ 3,591,956
Permanent Financing	$ 77,342
Legal Fees	$ 45,000
Reserves	$ 311,762
Appraisal	$ 11,000
Hard Cost Contingency	$ 3,075,932
Local Development Impact Fees	$ 1,421,963
Other Project Costs (Soft Costs, Marketing, etc.)	$ 1,487,738
Developer Costs	$ 3,500,000
Total Uses	$ 65,081,369

Analyst Comments:

This project is considered a high cost per unit project. According to the Project Sponsor, the factors contributing to the high costs are as follows: high cost market area (San Francisco); inclusion of multiple service rooms; designed to achieve Green Point Rated GOLD standards; installation of unique parking lifts and prevailing wage requirement.

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:

122.5 out of 145 **[**See Attachment A**]**

Recommendation:

Staff recommends that the Committee approves $34,314,000 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]	10
Large Family Units	5	5	0
Gross Rents	5	5	5
Leveraging	10	10	10
Community Revitalization Area	5	5	5
Site Amenities	10	10	7.5
Service Amenities	10	10	10
New Construction or Substantial Renovation	10	10	10
Sustainable Building Methods	10	10	10
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
Total Points	**145**	**125**	**122.5**