

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 9, 2020
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Ken Otrotsyuk

Applicant:	City of San Jose
Allocation Amount Requested:	Tax-exempt: \$25,000,000
Project Information:	Name: Markham Plaza II Apartments Project Address: 2010 Monterey Road Project City, County, Zip Code: San Jose, Santa Clara, 95112
Project Sponsor Information:	Name: Markham Plaza II, L.P. (CORE Markham II, LLC & EAH Markham II, LLC) Principals: Chris Neale for CORE Markham II, LLC; Welton Jordan for EAH Markham II, LLC Property Management Company: EAH, Inc.
Project Financing Information:	Bond Counsel: Jones Hall, A Professional Law Corporation Private Placement Purchaser: U.S. Bank National Association/CORE Markham II, LLC Cash Flow Permanent Bond: CORE Markham II, LLC Public Sale: Not Applicable Underwriter: Not Applicable Credit Enhancement Provider: Not Applicable Rating: Not Applicable
Description of Proposed Project:	State Ceiling Pool: Other Affordable Pool Total Number of Units: 152 Manager's Units: 1 Unrestricted Type: Acquisition and Rehabilitation Population Served: Family

Markham Plaza II Apartments is an existing project located in San Jose on a 1.78-acre site. The project consists of 151 restricted rental units, 0 market rate units and 1 unrestricted managers' units. The project has 149 studio units and 2 two-bedroom. The renovations will include building exterior and interior upgrades. Building exterior renovations will consist of exterior painting, miscellaneous dry rot repairs, damaged windows at the common areas repairs or replacements, window screens and coverings replacements, window stops installations, roofing and flashing replacements, draft stops and batts replacements and HVAC systems replacements. Interior renovations will include a common area offices installations, storage and fitness center, common area painting, elevator cab interiors replacements, trash chutes repairs or replacements, smoke detectors relocations and replacements, plumbing systems repair, boilers replacements and relocations and water softener installations. Individual apartment units will be updated with flooring, kitchen and bathroom countertops, appliances, bathroom accessories and caulking at the bathrooms, drywall repairs and replacements and existing Murphy beds demolitions. Lastly, common or site area renovations will consist of signage and mailboxes replacements, replacements of existing chain link fencing with concrete masonry unit fencing, landscaping and irrigation replacements and upgrades at the courtyard areas, site and common area lighting upgrades, asphalt-paved drive and parking areas repairs and repaving, community garden and dog walk installations, concrete walkways and curbs repairs or replacements and hydrojetting of the sewer lines. The rehabilitation is expected to begin in January 2021 and be completed in January 2021.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project:	100%
<u>100%</u> (151 units) restricted to 50% or less of area median income households.	
<u>0%</u> (0 units) restricted to 60% or less of area median income households.	
Unit Mix:	Studio & 1 bedroom

The proposed project will be receiving service amenity points.

Term of Restrictions:

Income and Rent Restrictions:	55 years
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Details of Project Financing:

Estimated Total Development Cost:	\$	49,448,680	
Estimated Hard Costs per Unit:	\$	60,742	(\$9,232,786 /152 units including mgr. units)
Estimated per Unit Cost:	\$	325,320	(\$49,448,680 /152 units including mgr. units)
Allocation per Unit:	\$	164,474	(\$25,000,000 /152 units including mgr. units)
Allocation per Restricted Rental Unit:	\$	165,563	(\$25,000,000 /151 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 19,000,000	\$ 0
Cash Flow Permanent Bonds	\$ 6,000,000	\$ 6,000,000
LIH Tax Credit Equity	\$ 1,542,949	\$ 15,429,494
Developer Equity	\$ 0	\$ 500,200
Deferred Costs	\$ 1,286,745	\$ 0
Seller Carryback Loan - Net Equity (Taxable)	\$ 13,818,967	\$ 13,818,967
Seller Carryback Loan - Existing	\$ 1,668,521	\$ 1,668,521
City of San Jose	\$ 5,324,505	\$ 5,324,505
County of Santa Clara	\$ 0	\$ 5,900,000
Existing Reserves - xfer from Seller	\$ 806,993	\$ 806,993
Total Sources	\$ 49,448,680	\$ 49,448,680

Uses of Funds:	
Land Cost/Acquisition	\$ 27,301,000
Rehabilitation	\$ 10,094,977
Relocation	\$ 1,850,000
New Construction	\$ 0
Contractor Overhead & Profit	\$ 530,474
Architectural Fees	\$ 375,000
Survey and Engineering	\$ 234,500
Construction Interest and Fees	\$ 1,572,642
Permanent Financing	\$ 95,000
Legal Fees	\$ 200,000
Reserves	\$ 1,337,023
Appraisal	\$ 9,625
Hard Cost Contingency	\$ 1,143,537
Local Development Impact Fees	\$ 0
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 1,704,902
Developer Costs	\$ 3,000,000
Total Uses	\$ 49,448,680

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:

135 out of 145 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$25,000,000 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	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	0.00
Gross Rents	5	5	5.00
Leveraging	10	10	10.00
Community Revitalization Area	5	5	5.00
Site Amenities	10	10	10.00
Service Amenities	10	10	10.00
New Construction or Substantial Renovation	10	10	10.00
Sustainable Building Methods	10	10	10.00
Forgone Eligible Developer Fee (Competitive Allocation Process Only)	10	10	10.00
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	10.00
Negative Points (No Maximum)	-10	-10	0.00
Total Points	145	125	135.00