

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 21, 2020
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Anthony Wey

Applicant:	City of San Jose
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Allocation Amount Requested:	Tax-exempt: \$34,980,000
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Project Information:	Name: Immanuel-Sobrato Community
	Project Address: 1710 Moorpark Avenue
	Project City, County, Zip Code: San Jose, Santa Clara, 95128

Project Sponsor Information:	Name: MP Moorpark Associates, L.P. (MP Moorpark, LLC)
	Principals: Matthew O. Franklin, Jan M. Lindenthal, and Janine Lind for MP Moorpark, LLC
	Property Management Company: MidPen Property Management Company

Project Financing Information:	Bond Counsel: Stradling, Yocca, Carlson & Rauth
	Private Placement Purchaser: Silicon Valley Bank/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 New Construction Pool
	Total Number of Units: 108
	Manager's Units: 2 Unrestricted
	Type: New Construction
	Population Served: Family/Special Needs

Immanuel-Sobrato Community is a new construction project located in San Jose, CA 1.101-acre site. The project consists of 106 restricted rental units 2 unrestricted managers' units. The project will have 106 studio units and 2 two-bedroom units. The building will be a 4 story wood frame structure (Type V-A) over a 1 story concrete (Type I-A) podium base served by two elevators. Common amenities include a laundry room, outdoor terrace, file room, IDF closet, bike room, computer lab, conference room, fitness room, and services suite. Each unit will have full kitchens, cabinets, garbage disposal, refrigerator, stove/oven, and closets. There are 37 parking spaces provided. The project will be securing a GreenPoint Rated Building certification. Green features include the use of recycled content materials, energy and water efficient appliances and fixtures, photovoltaic panels, and drought-tolerant landscaping. The construction is expected to begin May 2021 and be completed in December 2022.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

91% (96 units) restricted to 50% or less of area median income households.

9% (10 units) restricted to 60% or less of area median income households.

Unit Mix: Studio

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:	\$ 71,943,069	
Estimated Hard Costs per Unit:	\$ 382,506	(\$41,310,676 /108 units including mgr. units)
Estimated per Unit Cost:	\$ 666,140	(\$71,943,069 /108 units including mgr. units)
Allocation per Unit:	\$ 323,889	(\$34,980,000 /108 units including mgr. units)
Allocation per Restricted Rental Unit:	\$ 330,000	(\$34,980,000 /106 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 34,980,000	\$ 17,198,000
LIH Tax Credit Equity	\$ 0	\$ 22,535,819
Developer Equity	\$ 2,132,082	\$ 0
Deferred Developer Fee	\$ 300,000	\$ 300,000
Deferred Costs	\$ 4,547,221	\$ 0
Accrued/Deferred Interest	\$ 613,504	\$ 613,504
GP Equity	\$ 100	\$ 100
MidPen / Sobrato Foundation	\$ 2,610,000	\$ 2,610,000
County of Santa Clara Measure A	\$ 16,654,646	\$ 16,654,646
City of San Jose	\$ 9,045,516	\$ 10,971,000
FHLB SF AHP	\$ 1,060,000	\$ 1,060,000
Total Sources	\$ 71,943,069	\$ 71,943,069

Uses of Funds:	
Land Cost/Acquisition	\$ 4,143,831
Rehabilitation	\$ 290,000
Relocation	\$ 68,000
New Construction	\$ 46,428,046
Contractor Overhead & Profit	\$ 1,929,466
Architectural Fees	\$ 1,882,796
Survey and Engineering	\$ 567,000
Construction Interest and Fees	\$ 3,954,907
Permanent Financing	\$ 206,980
Legal Fees	\$ 160,000
Reserves	\$ 3,098,985
Appraisal	\$ 15,000
Hard Cost Contingency	\$ 3,041,540
Local Development Impact Fees	\$ 1,327,413
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 2,029,105
Developer Costs	\$ 2,800,000
Total Uses	\$ 71,943,069

Analyst Comments:

The project cost per unit is \$666,140 and the project cost per square foot of the structure is \$919.67. The reason for the project's high costs is the location in the San Francisco Bay Area. The construction costs are based on contractor estimates for the market conditions assuming in May 2021, start of construction. Public funding sources impose additional restrictions and standards in design, accessibility and construction. We are also pursuing an all-electric building to meet the City of San Jose's REACH Code's goals of electrification and reduction of GHG emissions. We also use highly durable materials intended to reduce maintenance and repair costs over time. For example, we are using hard flooring in the units to cut down on carpet replacement costs and provide living areas that avoid future pest infestations. We have maximized the roof space to add photovoltaic panels to offset common area loads and cut down on electricity costs. Additionally, the project is subject to state and federal prevailing wages, which drives up overall project costs by approximately 20%. Due to the project's proximity to the freeway on its northern border, air quality and sound mitigation measures have been implemented, driving up costs on the building. All residential units, hallways, offices are provided with filtered air via Merv-13 filters. Units that are facing the 280 freeway will require exterior wall and/or window acoustical improvements to meet the required noise standards within interior living spaces. In particular, the City has required a significant amount of work on Moorpark Avenue that has been triggered by Department of Transportation's vacation of a traffic lane. This scope of work includes extensive replacement of curbs, gutters, sidewalk, replacing street lighting, traffic signal redesign, and replacement of a portion of the waterline. With all this in mind we believe our project costs are reasonable given the product type.

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:

125 out of 145 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$34,980,000 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]	10.00
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	125.00