

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
January 0, 1900
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Brian Clark

Applicant: City of San Jose

Allocation Amount Requested:
Tax-exempt: \$30,000,000

Project Information:
Name: Casa Del Pueblo Apartments
Project Address: 200 South Market Street
Project City, County, Zip Code: San Jose, Santa Clara, 95113

Project Sponsor Information:
Name: Casa Del Pueblo Preservation, LP (Casa Del Pueblo Cornucopia, LLC and Casa Del Pueblo Preservation Partners, LLC)
Principals: Irene Rivas and Yen Nguyen for Casa Del Pueblo Cornucopia, LLC; William Szymczak for Casa Del Pueblo Preservation Partners, LLC
Property Management Company: Preservation Partners Management Group, Inc.

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Red Capital Group
Credit Enhancement Provider: Red Capital Group/FHA Section 221(d)
Private Placement Purchaser: Not Applicable
TEFRA Adoption Date: March 10, 2015

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 163, plus 2 manager units
Type: Acquisition and Rehabilitation
Type of Units: Senior Citizens

The Project, constructed in 1976, is located on a 0.53 acre parcel in the central business district of San Jose. The Project, consisting of a single twelve-story elevator-serviced building with ground floor commercial space, houses 163 one-bedroom tenant units and two one-bedroom manager's units. The Project does not have off-street tenant parking. The Project currently operates with a Section 8 subsidy, as well as a Section 236 rental assistance payment program. All units will be income-restricted; 33 units at 50% Area Median Income ("AMI") and 160 units at 65% AMI. Unit amenities include carpeting, blinds, coat closet, wall AC unit, refrigerator, stove and garbage disposal. Site amenities include a computer lab, clubhouse, exercise facility, courtyard, laundry facility, on-site management, video surveillance, library, activities coordinator, and adult education classes. Unit renovations will include new ceiling tiles, handrails, carpet, bathroom and kitchen fixtures, kitchen appliances, blinds/window coverings, kitchen cabinets and counter tops, interior doors and hardware, keyed entry door, bathroom and kitchen ceramic tile and painting. Exterior renovations include new doors, windows, railings, terrace surface, fire protection system, intercom, fencing, signage, mailboxes gas piping, boiler with seismic upgrades and HVAC system. Rehabilitation is expected to begin in November 2015 and be completed in November 2016.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

20% (33 units) restricted to 50% or less of area median income households.

80% (130 units) restricted to 60% or less of area median income households.

Unit Mix: 1 bedroom

There will be no service amenities for the proposed project.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 59,753,803	
Estimated Hard Costs per Unit:	\$ 111,560	(\$18,184,201 /163 units)
Estimated per Unit Cost:	\$ 366,588	(\$59,753,803 /163 units)
Allocation per Unit:	\$ 184,049	(\$30,000,000 /163 units)
Allocation per Restricted Rental Unit:	\$ 184,049	(\$30,000,000 /163 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 30,000,000	\$ 0
FHA 221(d)(4) Loan	\$ 0	\$ 23,411,100
LIH Tax Credit Equity	\$ 9,293,803	\$ 17,960,606
Deferred Developer Fee	\$ 2,500,000	\$ 422,097
Seller Note	\$ 17,960,000	\$ 17,960,000
Total Sources	\$ 59,753,803	\$ 59,753,803

Uses of Funds:	
Acquisition/Land Purchase	\$ 29,590,000
Hard Construction Costs	\$ 18,184,201
Architect & Engineering Fees	\$ 249,575
Contractor Overhead & Profit	\$ 2,275,768
Developer Fee	\$ 2,500,000
Relocation	\$ 2,133,450
Legal	\$ 275,000
Cost of Issuance	\$ 1,279,684
Const. & Perm. Financing	\$ 1,737,500
Reserves	\$ 657,428
Soft Costs (3rd Party Rpts., Marketing, Furn., etc.)	\$ 871,197
Total Uses	\$ 59,753,803

Description of Financial Structure and Bond Issuance:

The tax-exempt bonds will be publicly sold and the proceeds used to fund a \$23,400,000 loan under the FHA Section 221(d)(4) mortgage insurance program and a \$6,600,000 loan from an affiliate of the Limited Partner. During the construction financing phase the loan term will be for 18 months with a fixed interest rate estimated at 0.75%. Permanent phase financing will be via a FHA 221(d) loan; having a 40 year term, an amortization period of 40 years and a fixed interest rate estimated at 4.00%. There was no underwritten rate provided.

Analyst Comments:

Not Applicable

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: 57.1 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$30,000,000 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
Federally Assisted At-Risk Project or HOPE VI Project	20	20	0
Exceeding Minimum Income Restrictions:	35	15	30
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project]	[10]	[10]	6.1
Gross Rents	5	5	5
Large Family Units	5	5	0
Leveraging	10	10	0
Community Revitalization Area	15	15	0
Site Amenities	10	10	10
Service Amenities	10	10	0
New Construction	10	10	0
Sustainable Building Methods	10	10	6
Negative Points	-10	-10	0
Total Points	130	100	57.1

The criteria for which points are awarded will also be incorporated into the Resolution transferring Allocation to the Applicant as well as the appropriate bond documents and loan and finance agreements.