

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: Isaac Clark III

Applicant:	City of San Jose
Allocation Amount Requested:	Tax-exempt: \$36,855,974
Project Information:	
Project Address:	Name: Alum Rock Family Housing 2350 Alum Rock Avenue
Project City, County, Zip Code:	San Jose, Santa Clara, 95116
Project Sponsor Information:	
Principals:	James Silverwood, President, Nicki Cometa, CFO for AHG Alum Rock, LLC / Gina Onweiler, President NEXUS For Affordable Housing, Inc.
Property Management Company:	Solari Enterprises, Inc.
Project Financing Information:	
Bond Counsel:	Orrick, Herrington & Sutcliffe LLP
Private Placement Purchaser:	Banner Bank
Cash Flow Permanent Bond:	Not Applicable
Public Sale:	Not Applicable
Underwriter:	Not Applicable
Credit Enhancement Provider:	Not Applicable
Rating:	Not Applicable
TEFRA Noticing Date:	November 15, 2019
TEFRA Adoption Date:	November 26, 2019
Description of Proposed Project:	
State Ceiling Pool:	General
Total Number of Units:	87
Manager's Units:	2 Unrestricted
Type:	New Construction
Population Served:	Family/Special Needs

Alum Rock Family Housing is a new construction project located in San Jose on a 0.61-acre site. The project consists of 85 restricted rental units, and 2 unrestricted manager's units. The project will have 29 SRO units, 12 one-bedroom units, 22 two-bedroom units and 22 three-bedroom units. Unit amenities will include blinds, refrigerator, stove/oven, dishwasher, microwave, and disposal. Project amenities include a community rooms, computer room, open courtyard, community garden, laundry rooms, onsite management, garage parking, surveillance camera, and elevator. Alum Rock Apartments will be Green Point Rated and will feature photovoltaic and hot water systems designed to offset a significant portion of the building's electrical and water heating requirements. The construction is expected to begin June 2020 and be completed in December 2021.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
51% (43 units) restricted to 50% or less of area median income households.
49% (42 units) restricted to 60% or less of area median income households.
Unit Mix: Studio, 1, 2 & 3 bedro

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:	\$ 66,623,139
Estimated Hard Costs per Unit:	\$ 526,473 (\$45,803,127 /87 units including mgr. units)
Estimated per Unit Cost:	\$ 765,783 (\$66,623,139 /87 units including mgr. units)
Allocation per Unit:	\$ 423,632 (\$36,855,974 /87 units including mgr. units)
Allocation per Restricted Rental Unit:	\$ 433,600 (\$36,855,974 /85 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 36,855,974	\$ 11,660,914
Cash Flow Permanent Bonds	\$ 0	\$ 0
Tranche B Financing	\$ 0	\$ 0
Taxable Bond Proceeds	\$ 0	\$ 0
LIH Tax Credit Equity	\$ 15,650,000	\$ 28,462,225
Income from Operations	\$ 0	\$ 0
Deferred Developer Fee	\$ 0	\$ 1,500,000
Costs Deferred Until Conversion	\$ 0	\$ 0
Santa Clara County	\$ 13,117,165	\$ 15,650,000
City of San Jose	\$ 1,000,000	\$ 9,350,000
Accrued Deferred Interest-Seller Carryback	\$ 0	\$ 0
Acquired Project Reserves	\$ 0	\$ 0
Capital Contribution (GP)	\$ 0	\$ 0
Capital Contribution (LP)	\$ 0	\$ 0
Total Sources	\$ 66,623,139	\$ 66,623,139

Uses of Funds:	
Land Cost/Acquisition	\$ 4,373,465
Rehabilitation	\$ 0
Relocation	\$ 0
New Construction	\$ 42,603,127
Contractor Overhead & Profit	\$ 3,200,000
Architectural Fees	\$ 1,244,000
Survey and Engineering	\$ 904,500
Construction Interest and Fees	\$ 2,081,064
Permanent Financing	\$ 966,609
Legal Fees	\$ 175,000
Reserves	\$ 377,000
Appraisal	\$ 12,500
Hard Cost Contingency	\$ 3,793,043
Local Development Impact Fees	\$ 521,620
Other Project Costs	\$ 2,371,211
Developer Costs	\$ 4,000,000
Total Uses	\$ 66,623,139

Analyst Comments:

The site is located in San Jose where land and labor costs are historically very high. Additionally, payment of prevailing wages is a requirement of both the City and the County, which generally increases development costs by 20%-30%.

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:

130 out of 145 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$36,855,974 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	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
Gross Rents	5	5	5.00
Large Family Units	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	130.00