

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**December 11, 2013**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Leslie J. Campaz*

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**Applicant:** California Housing Finance Agency

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**Allocation Amount Requested:**  
**Tax-exempt:** \$20,215,000

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**Project Information:**  
**Name:** Villa San Pedro Apartments  
**Project Address:** 282 Danze Dr.  
**Project City, County, Zip Code:** San Jose, Santa Clara, 95110

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**Project Sponsor Information:**  
**Name:** Bendorf Drive, LP (Villa San Pedro HDC, Inc.; RSEP Holding, LLC/Red Stone Equity Manager LLC)  
**Principals:** Alex Sanchez, Vanessa M. Cooper and Aleli Sangalang for Villa San Pedro HDC, Inc.; Don Snyder for RSEP Holding, LLC/Red Stone Equity Manager LLC  
**Property Management Company:** The John Stewart Company

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**Project Financing Information:**  
**Bond Counsel:** Orrick, Herrington & Sutcliffe LLP  
**Credit Enhancement Provider:** US Department of Housing and Urban Development  
**Private Placement Purchaser:** California Housing Finance Agency  
**TEFRA Hearing Date:** October 18, 2013

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 99, plus 1 manager unit  
**Type:** Acquisition and Rehabilitation  
**Type of Units:** Family

The proposed acquisition and rehabilitation project is an existing 100-unit multifamily property located in the City of San Jose. The property has 88 project based assistance vouchers issued by HUD that serve households at or below 50% of median income. The remaining units are available to households at or below 60% of median income. The site includes 13 two-story residential buildings plus one community building. There are nine townhouse style buildings with 4 units each and four garden style buildings with 16 units each. The units are configured as 1, 2, 3 and 4 bedroom apartments. The proposed scope of work will include new exterior and interior systems including new kitchens and bathrooms, window, replacement of the electrical and plumbing systems, installation of a HVAC system, new roofs, landscaping, a solar energy system and renovation of the community building. The planned starting date for construction is December 2013 with completion in December 2014.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%  
38% (38 units) restricted to 50% or less of area median income households.  
62% (61 units) restricted to 60% or less of area median income households.  
**Unit Mix:** 1, 2, 3 & 4 bedrooms

After school programs and a bona fide service coordinator will be included as services amenities for a minimum of 10 years.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

**Estimated Total Development Cost:** \$ 41,394,056  
**Estimated Hard Costs per Unit:** \$ 143,789 (\$14,235,132 /99 units)  
**Estimated per Unit Cost:** \$ 418,122 (\$41,394,056 /99 units)  
**Allocation per Unit:** \$ 204,192 (\$20,215,000 /99 units)  
**Allocation per Restricted Rental Unit:** \$ 204,192 (\$20,215,000 /99 restricted units)

The Project has total project costs that appear high for the geographic area in which it is located. According to Project sponsor, the high cost is due to: 1) The Scope of Work is quite extensive. The building is over 40 yrs old, and most systems are being totally replaced, and 2) A high acquisition cost, based on Santa Clara County market values.

<b>Sources of Funds:</b>	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 20,215,000	\$ 11,710,000
Taxable Bond Proceeds	\$ 0	\$ 0
Developer Equity	\$ 925,903	\$ 925,903
LIH Tax Credit Equity	\$ 2,554,514	\$ 13,548,324
Direct & Indirect Public Funds	\$ 6,056,597	\$ 6,056,597
Other (Seller take-back)	\$ 9,153,232	\$ 9,153,232
Total Sources	<u>\$ 38,905,246</u>	<u>\$ 41,394,056</u>
<b>Uses of Funds:</b>		
Acquisition/Land Purchase	\$ 16,012,193	
On & Off Site Costs	\$ 1,144,975	
Hard Construction Costs	\$ 13,090,157	
Architect & Engineering Fees	\$ 1,083,387	
Contractor Overhead & Profit	\$ 1,724,868	
Developer Fee	\$ 2,500,000	
Relocation	\$ 750,000	
Cost of Issuance	\$ 271,658	
Capitalized Interest	\$ 625,000	
Other Soft Costs (Marketing, etc.)	\$ 4,191,818	
Total Uses	<u>\$ 41,394,056</u>	

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**Description of Financial Structure and Bond Issuance:**

The proposed project will be a credit-enhancement transaction provided by the California Housing Finance Agency (CalHFA) under a risk sharing agreement with the U.S. Department of Housing and Urban Development (HUD). During the construction phase, the bonds shall bear interest at a fixed rate of 4.00% with a term of 18 months. At the permanent financing phase, the bonds shall bear interest at a fixed rate of 5.75% with a term and amortization of 30 years.

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**Analyst Comments:**

Not Applicable

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**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.

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**Total Points:** 63.05 out of 130

[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$20,215,000 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	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project]	[10]	[10]	0
Gross Rents	5	5	5
Large Family Units	5	5	0
Leveraging	10	10	2.05
Community Revitalization Area	15	15	0
Site Amenities	10	10	5
Service Amenities	10	10	10
New Construction	10	10	0
Sustainable Building Methods	10	10	6
Negative Points	-10	-10	0
<b>Total Points</b>	<b>130</b>	<b>100</b>	<b>63.05</b>

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.