

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 21, 2014
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Richard Fischer

Applicant: California Statewide Communities Development Authority

Allocation Amount Requested:
Tax-exempt: \$36,000,000

Project Information:
Name: Charlotte Drive Family Apartments
Project Address: Charlotte Drive and Raleigh
Project City, County, Zip Code: San Jose, Santa Clara, 95123

Project Sponsor Information:
Name: To Be Formed (ROEM Development Corporation and Pacific Housing, Inc.)
Principals: Robert Emami and Jonathan Emami for ROEM Development Corporation and Mark Wiese for Pacific Housing, Inc.
Property Management Company: FPI Management

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, N.A.
TEFRA Adoption Date: April 15, 2014

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 189, plus 2 manager units
Type: New Construction
Type of Units: Family

Charlotte Drive Family Apartments is a new construction, affordable multi-family apartment community located in San Jose, California. The 3.40-acre site is located at the eastern portion of Charlotte Drive. The project will consist of one building that will be four stories in height with an at-grade parking garage. Charlotte Drive Family Apartments will be built of high-quality Type V residential construction featuring a total of 200-units. Charlotte Drive Family Apartments will provide 81 one bedroom, 117 two bedroom affordable residential units with 227 parking spaces. The community will include one courtyard that has walkable connectivity. This courtyard will be further enhanced with an outdoor barbeque and dining area, tot-lot, and lounging areas among the outdoor common area. In addition, the apartment complex will include a community room with media alcove, kitchen, entertainment area, storage area, restrooms, leasing office, homework/computer room, and laundry facilities. Anticipated start date is August 1, 2014 and end date of February 31, 2016.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

34% (65 units) restricted to 50% or less of area median income households.
66% (124 units) restricted to 60% or less of area median income households.

Unit Mix: 1, 2 & 3 bedrooms

The Project will include after school programs for a minimum of 10 hours per week and provide instructor-led educational, health and wellness or skill building classes for a minimum of 84 hours per year.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	45,033,638	
Estimated Hard Costs per Unit:	\$	172,512	(\$32,604,862 /189 units)
Estimated per Unit Cost:	\$	238,273	(\$45,033,638 /189 units)
Allocation per Unit:	\$	190,476	(\$36,000,000 /189 units)
Allocation per Restricted Rental Unit:	\$	190,476	(\$36,000,000 /189 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 36,000,000	\$ 25,740,000
Developer Equity	\$ 2,500,000	\$ 2,354,494
LIH Tax Credit Equity	\$ 3,691,777	\$ 14,698,590
Other(Def.Res.Fund,Lease Up Inc.,Def. Contr. Fee)	\$ 2,841,861	\$ 2,240,554
Total Sources	\$ 45,033,638	\$ 45,033,638

Uses of Funds:	
Acquisition/Land Purchase	\$ 100
On & Off Site Costs	\$ 7,430,000
Hard Construction Costs	\$ 25,174,862
Architect & Engineering Fees	\$ 1,100,000
Contractor Overhead & Profit	\$ 2,474,752
Developer Fee	\$ 2,500,000
Cost of Issuance	\$ 238,100
Other Soft Costs (Marketing, etc.)	\$ 6,115,824
Total Uses	\$ 45,033,638

Description of Financial Structure and Bond Issuance:

This is a Citibank, N.A. Private Placement transaction with the bonds being issued by the California Statewide Communities Development Authority. Citibank, NA will be the construction and permanent lender for this project. The construction period for the bonds will be 24 months with a possible extension period of 6 months. The permanent loan term will amortize over 35 years with a repayment of the loan in year 17 after of the closing. The permanent interest rate will be based on the 16 year LIBOR swap + 1.80% (currently estimated to be at 5.15%). The permanent loan will be sized to a Debt Service Coverage of 1.15 with a maximum loan to value at 90% and a maximum loan cost at 80%. They are planning on closing on these bonds in June 2014.

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:

83 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$36,000,000 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	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project]	[10]	[10]	10
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	5
Service Amenities	10	10	10
New Construction	10	10	10
Sustainable Building Methods	10	10	8
Negative Points	-10	-10	0
Total Points	130	100	83

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.