

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
September 21, 2016
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Louise Eller

Applicant: California Statewide Communities Development Authority

Allocation Amount Requested: Tax-exempt: \$24,500,000

Project Information:

Name: Polo Run Family Apartments
Project Address: 8165 Palisades Drive
Project City, County, Zip Code: Stockton, San Joaquin, 95210

Project Sponsor Information:

Name: Polo Run Family Apartments, L.P. (ROEM Polo Run Family Apartments, LLC & Pacific Housing)
Principals: Robert Emami for ROEM Polo Run Family Apartments, LLC and Mark Wiese for Pacific Housing
Property Management Company: FPI Management, Inc.

Project Financing Information:

Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Private Placement Purchaser: Citibank, N.A.
Public Sale: Not Applicable
Underwriter: Not Applicable
TEFRA Noticing Date: July 22, 2016
TEFRA Adoption Date: August 9, 2016

Description of Proposed Project:

State Ceiling Pool: General
Total Number of Units: 315, plus 3 manager units
Type: Acquisition and Rehabilitation
Type of Units: Family

Polo Family Run Apartments is an existing project located in Stockton on a 19.15 acre site. The project consists of 315 restricted rental units and 3 managers' units. The project has 96 one-bedroom units, 190 two-bedroom units and 29 three-bedroom units. The scope of the rehabilitation includes replacing damaged sewer lines, replace damaged AC areas in parking lot, seal and stripe parking stalls, improve landscaping, irrigation and pavement, replace dry-rot damaged lumber on buildings, repaid a stair case, replace kitchen and bathroom cabinets and install kitchen countertops. In addition, damaged deck coatings will be replaced, new insulation will be installed in all building attics and install new roofs, replace/repair entry gates, doors and windows and paint as needed. New appliances will be installed and plumbing fixtures will be replaced. Rehabilitation is expected to begin August 2016 and complete August 2017.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

10% (33 units) restricted to 50% or less of area median income households.

90% (282 units) restricted to 60% or less of area median income households.

Unit Mix: 1, 2 & 3 bedrooms

The proposed project will be providing an after school program for at least 10 hours per week throughout the school year and 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: | \$ 36,760,884 | |
| Estimated Hard Costs per Unit: | \$ 22,023 | (\$6,937,184 /315 units) |
| Estimated per Unit Cost: | \$ 115,600 | (\$36,760,884 /318 units including manager un |
| Allocation per Unit: | \$ 77,778 | (\$24,500,000 /315 units) |
| Allocation per Restricted Rental Unit: | \$ 77,778 | (\$24,500,000 /315 restricted units) |

| Sources of Funds: | Construction | Permanent |
|--------------------------------------|----------------------|----------------------|
| Tax-Exempt Bond Proceeds - Tranche A | \$ 17,090,019 | \$ 17,090,019 |
| Tax-Exempt Bond Proceeds - Tranche B | \$ 7,103,210 | \$ 0 |
| LIH Tax Credit Equity | \$ 6,362,004 | \$ 12,724,008 |
| Lease Up Income | \$ 1,852,388 | \$ 1,852,388 |
| Deferred Developer Fee | \$ 3,798,000 | \$ 3,798,000 |
| Deferred Reserve Funding | \$ 555,263 | \$ 0 |
| Co-General Partner Loan | \$ 0 | \$ 1,296,469 |
| Total Sources | \$ 36,760,884 | \$ 36,760,884 |

| Uses of Funds: | |
|---|----------------------|
| Land Cost/Acquisition | \$ 20,550,000 |
| Rehabilitation | \$ 8,345,399 |
| Relocation | \$ 200,000 |
| Contractor Overhead | \$ 124,068 |
| Architectural Fees | \$ 30,000 |
| Construction Interest and Fees | \$ 2,407,341 |
| Permanent Financing | \$ 45,000 |
| Legal Fees | \$ 145,000 |
| Reserves | \$ 555,263 |
| Appraisal | \$ 6,000 |
| Other Project Costs (Soft Costs, Marketing, etc.) | \$ 524,813 |
| Developer Costs | \$ 3,828,000 |
| Total Uses | \$ 36,760,884 |

Analyst Comments:

None

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:

62.5 out of 140

[See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$24,500,000 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 |
|--|--|--|---------------|
| Preservation Project | 20 | 20 | 0 |
| Exceeding Minimum Income Restrictions: | 35 | 15 | 25 |
| Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project] | [10] | [10] | 10 |
| Gross Rents | 5 | 5 | 5 |
| Large Family Units | 5 | 5 | 0 |
| Leveraging | 10 | 10 | 0 |
| Community Revitalization Area | 5 | 5 | 0 |
| Site Amenities | 10 | 10 | 7.5 |
| Service Amenities | 10 | 10 | 10 |
| New Construction or Substantial Renovation | 10 | 10 | 0 |
| Sustainable Building Methods | 10 | 10 | 5 |
| Forgone Eligible Developer Fee (Competitive Allocation Process Only) | 10 | 10 | 0 |
| Minimum Term of Restrictions (Competitive Allocation Process Only) | 10 | 10 | 0 |
| Negative Points (No Maximum) | -10 | -10 | 0 |
| Total Points | 140 | 120 | 62.5 |

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.