

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 20, 2011
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Sarah Lester

Applicant: California Statewide Communities Development Authority

Allocation Amount Requested:
Tax-exempt: \$12,750,000

Project Information:
Name: Mountain View Downtown Family Apartments
Project Address: 135 Franklin Street
Project City, County, Zip Code: Mountain View, Santa Clara, 94041

Project Sponsor Information:
Name: Franklin Street Family Apartments, LP (Pacific Housing, Inc. and ROEM Apartment Communities, LLC)
Principals: Mark Wiese, Susan DeMarios and Lester Holmes for Pacific Housing, Inc. and Jonathan Emami for ROEM Apartment Communities, LLC
Property Management Company: FPI Management, Inc.

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, N.A.
TEFRA Hearing Date: June 14, 2011

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 50, plus 1 manager unit
Type: New Construction
Type of Units: Family

The proposed project is a New Construction family project located in the City of Mountain View in the County of Santa Clara. The project will be situated on a 1.03 acre site. It will consist of one four-story elevator serviced building that will contain a total of four 1-bedroom units, 32 2-bedroom units and 15 3-bedroom units. All units will be restricted to households with incomes no greater than 50% of the area median income. The estimated date of market entry or project completion date is May 2013.

Description of Public Benefits:

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

The service amenities provided in the project will include after school programs and educational classes.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 23,664,055	
Estimated Hard Costs per Unit:	\$ 204,881	(\$10,244,042 /50 units)
Estimated per Unit Cost:	\$ 473,281	(\$23,664,055 /50 units)
Allocation per Unit:	\$ 255,000	(\$12,750,000 /50 units)
Allocation per Restricted Rental Unit:	\$ 255,000	(\$12,750,000 /50 restricted units)

The Project has total project costs that appear high for the geographic area in which it is located. According to the Project sponsor, the high cost is due to land value, infill construction methods, finish quality and permit/impact fees.

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 12,750,000	\$ 3,539,536
Deferred Developer Fee	\$ 2,350,000	\$ 844,727
LIH Tax Credit Equity	\$ 1,243,772	\$ 6,218,856
Direct & Indirect Public Funds	\$ 7,250,000	\$ 12,897,000
Other	\$ 70,283	\$ 163,936
Total Sources	\$ 23,664,055	\$ 23,664,055
Uses of Funds:		
Acquisition	\$ 3,570,000	
New Construction Costs	\$ 11,767,355	
Architectural	\$ 540,599	
Survey & Engineering	\$ 740,470	
Contingency Costs	\$ 749,949	
Construction Period Expenses	\$ 1,493,195	
Permanent Financing Expenses	\$ 120,093	
Legal Fees	\$ 175,000	
Capitalized Reserves	\$ 128,216	
Reports & Studies	\$ 15,000	
Other (Marketing, etc)	\$ 1,864,178	
Developer Costs	\$ 2,500,000	
Total Uses	\$ 23,664,055	

Description of Financial Structure and Bond Issuance:

The financial structure for the proposed project will be a Private Placement transaction with Citi Community Capital (construction and permanent). The sources of funds to be utilized will be tax-exempt bonds, low-income housing tax credits, tax credit equity, City of Mountain View loan, Housing Trust of Santa Clara County loan, and deferred developer fee. The tax-exempt bonds of up to \$12,750,000 will be disbursed on a draw down basis and will carry a variable interest rate during construction based on SIFMA plus a margin of 325 bps for a term of 24 months. The project was underwritten at 5.0%. The permanent bond of \$3,539,536 will be for a term of 18 months, amortized for 35 years commencing upon the conversion of the construction bonds at stabilization. The permanent interest rate will have a fixed rate based on the sum of 2026 maturity "AAA" bond rate as published by Thompson Municipal Market Data ("MMD") plus a spread of 2.50%. The project was underwritten at 6%, with a 1.15 DCR, a minimum vacancy of 5% and a 85% loan to value. The bonds will be secured with the Deed of Trust on the Project.

Analyst Comments:

N/A

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: 98 out of 118
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$12,750,000 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	0
Large Family Units	5	5	5
Leveraging	10	10	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	10
Service Amenities	10	10	10
New Construction	10	10	10
Sustainable Building Methods	8	8	8
Negative Points	-10	-10	0
Total Points	118	98	98

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.