

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
January 18, 2012
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Crystal Alvarez

Applicant: City of San Jose

Allocation Amount Requested:
Tax-exempt: \$35,500,000

Project Information:
Name: 1st and Rosemary Family Apartments
Project Address: 66 and 80 E. Rosemary Street
Project City, County, Zip Code: San Jose, Santa Clara, 95112

Project Sponsor Information:
Name: 1st and Rosemary Family Housing, L.P. (ROEM Development Corporation and Pacific Housing, Inc.)
Principals: Jonathan Emami and Robert Emami for ROEM Development Corporation; Mark Wiese and Lester Holmes for Pacific Housing, Inc.
Property Management Company: FPI Management, Inc.

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Private Placement Purchaser: Citibank, N.A.
TEFRA Hearing Date: March 14, 2011

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 182, plus 2 manager units
Type: New Construction
Type of Units: Family

1st and Rosemary Family Apartments is a new construction, multifamily affordable apartment development located in San Jose. The project will consist of four stories containing 184 residential units wrapped around an above ground parking structure that will provide 293 parking spaces. The project is designed to provide courtyards and landscaped common open spaces for residents. Of the 182 rental units there will be 55 one-bedroom, 97 two-bedroom, and 30 three-bedroom units. The project is the first phase of a two phase project.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
10% (19 units) restricted to 50% or less of area median income households.
90% (163 units) restricted to 60% or less of area median income households.
Unit Mix: 1, 2 & 3 bedrooms

The project sponsor has committed to providing after-school program and educational classes to residents for a period of 10 years.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 54,784,497
Estimated Hard Costs per Unit: \$ 117,914 (\$21,460,400 /182 units)
Estimated per Unit Cost: \$ 301,014 (\$54,784,497 /182 units)
Allocation per Unit: \$ 195,055 (\$35,500,000 /182 units)
Allocation per Restricted Rental Unit: \$ 195,055 (\$35,500,000 /182 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 35,500,000	\$ 18,483,622
Deferred Reserve Funding	\$ 503,702	\$ 0
Deferred Developer Fee	\$ 2,500,000	\$ 2,378,563
LIH Tax Credit Equity	\$ 1,697,087	\$ 19,173,000
Direct & Indirect Public Funds	\$ 14,183,968	\$ 14,183,968
Lease Up Income	\$ 399,740	\$ 565,344
Total Sources	\$ 54,784,497	\$ 54,784,497

Uses of Funds:	
Acquisition	\$ 8,730,000
New Construction Costs	\$ 32,283,842
Architectural	\$ 600,000
Survey & Engineering	\$ 500,000
Contingency Costs	\$ 1,782,446
Construction Period Expenses	\$ 4,095,935
Permanent Financing Expenses	\$ 10,000
Legal Fees	\$ 295,000
Reports & Studies	\$ 25,000
Other (Marketing)	\$ 3,458,572
Developer Costs	\$ 2,500,000
Capitalized Reserves	\$ 503,701
Total Uses	\$ 54,784,496

Description of Financial Structure and Bond

Citibank N.A. will directly purchase the tax-exempt bonds for the use of funding a construction to permanent mortgage on the property. The construction period will be for a period of 30 months and carry a variable interest rate based off of SIFMA plus a margin of 275 bps including a 5 bps servicing fee. Upon completion and lease up, the construction loan will convert to a permanent loan for a period of 15 years, amortized over 35 years and will carry a fixed rate. The fixed rate shall be the sum of 2030 maturity "AAA" bond rate as published by Thompson Municipal Market Data ("MMD") plus a spread of 2.20%.

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: 63.4 out of 118

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$35,500,000 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
Federally Assisted At-Risk Project or HOPE VI Project	20	20	0
Exceeding Minimum Income Restrictions:	35	15	25
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project]	[10]	[10]	8.4
Gross Rents	5	5	0
Large Family Units	5	5	0
Leveraging	10	10	0
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	0
Negative Points	-10	-10	0
Total Points	118	98	63.4

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.