

**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: Sarah Lester*

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**Applicant:** City of San Jose

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**Allocation Amount Requested:**  
**Tax-exempt:** \$15,500,000

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**Project Information:**  
**Name:** 1st and Rosemary Senior Apartments  
**Project Address:** North First Street and E. Rosemary Street  
**Project City, County, Zip Code:** San Jose, Santa Clara, 95112

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**Project Sponsor Information:**  
**Name:** 1st and Rosemary Senior Housing, LP (ROEM 1st and Rosemary Senior Housing, LP and Pacific Housing, Inc.)  
**Principals:** Robert Emami for ROEM1st and Rosemary Senior Housing, LP; and Mark Wiese and Cynthia E. Brooks for Pacific Housing, Inc.)  
**Property Management Company:** FPI Management, Inc.

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**Project Financing Information:**  
**Bond Counsel:** Orrick, Herrington & Sutcliffe LLP  
**Private Placement Purchaser:** Citibank, N.A.  
**TEFRA Hearing Date:** December 12, 2011

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 105, plus 1 manager unit  
**Type:** New Construction  
**Type of Units:** Senior Citizens

1st and Rosemary Senior Apartments is a new construction 106-unit affordable project. It is located in the city of San Jose in Santa Clara County. Of the 106 units, 105 will be senior tax credit units and one will be a manager unit. Eleven (11) of the affordable units will be restricted to seniors with household incomes at 50% of the area median income and 94 will be restricted to seniors with household incomes at 60% of the area median income. All restricted units will be 1-bedroom units and the manager's unit will be a 3-bedroom unit.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%

10% (11 units) restricted to 50% or less of area median income households.

90% (94 units) restricted to 60% or less of area median income households.

**Unit Mix:** 1, 2 & 3 bedrooms

The project will include educational classes for a period of ten years.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

**Estimated Total Development Cost:** \$ 28,173,301

**Estimated Hard Costs per Unit:** \$ 119,323 (\$12,528,900 /105 units)

**Estimated per Unit Cost:** \$ 268,317 (\$28,173,301 /105 units)

**Allocation per Unit:** \$ 147,619 (\$15,500,000 /105 units)

**Allocation per Restricted Rental Unit:** \$ 147,619 (\$15,500,000 /105 restricted units)

<b>Sources of Funds:</b>	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 15,500,000	\$ 7,072,000
Deferred Developer Fee	\$ 2,500,000	\$ 2,479,284
Direct & Indirect Public Funds	\$ 8,110,115	\$ 9,110,115
LIH Tax Credit Equity	\$ 1,671,725	\$ 9,353,563
Other (Lease up income and Def. Reserve Funding)	\$ 391,461	\$ 158,339
Total Sources	\$ 28,173,301	\$ 28,173,301

<b>Uses of Funds:</b>	
Acquisition	\$ 4,900,000
New Construction Costs	\$ 14,405,730
Architectural	\$ 500,000
Survey & Engineering	\$ 500,000
Contingency Costs	\$ 825,241
Construction Period Expenses	\$ 2,064,206
Permanent Financing Expenses	\$ 10,000
Legal Fees	\$ 255,000
Capitalized Reserves	\$ 237,817
Reports & Studies	\$ 25,000
Other	\$ 1,950,307
Development Costs	\$ 2,500,000
Total Uses	\$ 28,173,301

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

1st And Rosemary Senior Apartments will be a private placement transaction provided by Citibank, N.A.(Citibank). Citibank will arrange for the purchase of the tax-exempt bonds to be issued by the City of San Jose. The proceeds from the Bonds will fund an interim construction loan on the property. The construction phase will be for a period of 24 months and will bear interest at a variable rate of SIFMA plus a margin of 275 bps. During the permanent phase, the estimated loan of \$7,070,000 will bear a fixed rate sum of 2030 maturity "AAA" bond rate as published by Thompson MMD plus a spread of 2.20%. At the time of application the indicative fixed rate was 5.63% including a 5bps servicing fee. The loan will be for a term of 30 years and amortized for 35 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:**

78 out of 118

[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$15,500,000 in tax exempt bond allocation on a carryforward basis.

**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]	10
Gross Rents	5	5	5
Large Family Units	5	5	0
Leveraging	10	10	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	5
Service Amenities	10	10	5
New Construction	10	10	10
Sustainable Building Methods	8	8	8
Negative Points	-10	-10	0
<b>Total Points</b>	<b>118</b>	<b>98</b>	<b>78</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.