

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: \$25,000,000

Project Information:
Name: Lexington Avenue Family Apartments
Project Address: Corner of Lexington Avenue and Great Oaks Parkway
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: 133, plus 1 manager unit
Type: New Construction
Type of Units: Family

Lexington Avenue Family Apartments is a new construction affordable multi-family apartment community located in San Jose, California. The 1.60-acre site is located on Lexington Avenue with the cross street of Great Oaks Parkway. The project will consist of one building that will be five stories in height with an at-grade parking garage. Lexington Avenue Family Apartments will be built of high-quality Type III residential construction featuring a total of 134-units. Lexington Avenue Family Apartments will provide 74 one bedroom, 60 two bedroom affordable residential units with 172 parking spaces. Lexington Avenue Family Apartments is part of a 295-acre Hitachi Master Planned Community (HMPC), which when complete, will contribute to a large development comprising of condominiums, apartments and attached townhomes. The master planned community includes many pocket parks and a large 10.64-acre park that will include a baseball field. Anticipated start of construction date is August 1, 2014 and completion date of January 31, 2016

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

11% (14 units) restricted to 50% or less of area median income households.

89% (119 units) restricted to 60% or less of area median income households.

Unit Mix: 1 & 2 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:	\$	33,155,062	
Estimated Hard Costs per Unit:	\$	174,325	(\$23,185,279 /133 units)
Estimated per Unit Cost:	\$	249,286	(\$33,155,062 /133 units)
Allocation per Unit:	\$	187,970	(\$25,000,000 /133 units)
Allocation per Restricted Rental Unit:	\$	187,970	(\$25,000,000 /133 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 25,000,000	\$ 15,985,000
Developer Equity	\$ 2,500,000	\$ 2,413,935
LIH Tax Credit Equity	\$ 1,342,750	\$ 10,834,566
Other(Def.Res.Fund.,Lease Up Inc.,Def. Contr. Fee (Other con't) Def.Equity)	\$ 4,312,312	\$ 3,921,561
Total Sources	\$ 33,155,062	\$ 33,155,062

Uses of Funds:	
Acquisition/Land Purchase	\$ 100
On & Off Site Costs	\$ 5,050,000
Hard Construction Costs	\$ 18,135,279
Architect & Engineering Fees	\$ 1,050,000
Contractor Overhead & Profit	\$ 1,759,793
Developer Fee	\$ 2,500,000
Cost of Issuance	\$ 206,750
Other Soft Costs (Marketing, etc.)	\$ 4,453,140
Total Uses	\$ 33,155,062

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 construction interest rate is currently estimated at 3.15%. 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:

73 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	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	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	73

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.