

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 16, 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: \$28,896,739

Project Information:
Name: Pavilion Park Senior Housing Apartments
Project Address: 100 Ridge Valley Drive
Project City, County, Zip Code: Irvine, Orange, 92618

Project Sponsor Information:
Name: Pavilion Park Senior I Housing Partners, L.P. (Related/Pavilion Park Senior I Development Co., LLC)
Principals: William A Witte, Frank Cardone and Stephen Ross for the Related/Pavilion Park Senior I Development Co., LLC
Property Management Company: Related Management Company

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Union Bank, N.A.
TEFRA Adoption Date: April 8, 2014

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 219, plus 2 manager units
Type: New Construction
Type of Units: Senior Citizens

The proposed 221 unit senior project will have one hundred eighty-nine (189) one bedroom/one bath units, and thirty-two (32) two bedroom/one bath units, two of which are Manager units. All will be marketed towards senior residents in the surrounding area. The Project is comprised of three (3) residential buildings, a separate free-standing Leasing & Social Services building, a separate free-standing Fitness building, a separate free-standing Multipurpose Room building, and a Pool Equipment building with restrooms and showers. Anticipated construction start date is September 2104 with a an estimated completion date of September 2015.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
63% (137 units) restricted to 50% or less of area median income households.
37% (82 units) restricted to 60% or less of area median income households.
Unit Mix: 1 & 2 bedrooms

The Project will include instructor-led educational, health and wellness or skill building classes for a minimum of 84 Hours per year and Health and wellness services and programs for a minimum of 100 hours per year.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 38,474,017
Estimated Hard Costs per Unit: \$ 86,213 (\$18,880,581 /219 units)
Estimated per Unit Cost: \$ 175,680 (\$38,474,017 /219 units)
Allocation per Unit: \$ 131,949 (\$28,896,739 /219 units)
Allocation per Restricted Rental Unit: \$ 131,949 (\$28,896,739 /219 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 28,896,739	\$ 14,497,000
LIH Tax Credit Equity	\$ 1,599,971	\$ 15,999,710
Other (HFET Residual Receipt Loan)	\$ 7,977,307	\$ 7,977,307
Total Sources	\$ 38,474,017	\$ 38,474,017

Uses of Funds:	
Acquisition/Land Purchase	\$ 10,501
On & Off Site Costs	\$ 1,770,000
Hard Construction Costs	\$ 17,110,581
Architect & Engineering Fees	\$ 2,683,000
Contractor Overhead & Profit	\$ 4,541,584
Developer Fee	\$ 2,500,000
Cost of Issuance	\$ 300,000
Capitalized Interest	\$ 1,157,000
Other Soft Costs (Marketing, etc.)	\$ 8,401,351
Total Uses	\$ 38,474,017

Description of Financial Structure and Bond Issuance:

This a California Statewide Communities Development Authority bond issuance with Union Bank, N.A. as the private placement purchaser. During the construction loan period, the Borrower Loan bears interest at 65% of the 30-day LIBOR rate plus 1.70% (with no floor), computed on a three hundred sixty (360) day year but for the actual number of days outstanding. Interest only shall be payable monthly, in arrears, on the Borrower Loan. During the permanent loan period, the Borrower Loan shall bear interest at 65% of the 30-day LIBOR rate plus 2.55%, computed on a three hundred sixty (360) day year but for the actual number of days outstanding. Monthly principal and interest payments will be calculated upon conversion of the Borrower Loan from the construction loan period to the permanent loan period based upon the outstanding principal balance of the Borrower Loan as of the conversion date, the fixed interest rate on the swap and a 35 year amortization period. At Loan Closing, the interest rate on the Borrower Loan during the permanent loan period must be hedged with a forward starting interest rate swap acceptable to Bank. As of the date of this letter, the indicative swap rate from the Bank would be 5.15% comprised of a 2.60% LIBOR Swap Rate plus 255 basis points.

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: 72.5 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$28,896,739 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	5
Large Family Units	5	5	0
Leveraging	10	10	0
Community Revitalization Area	15	15	0
Site Amenities	10	10	2.5
Service Amenities	10	10	10
New Construction	10	10	10
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
Total Points	130	100	72.5

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.