

**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: Leslie J. Campaz*

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**Applicant:** California Municipal Finance Authority

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**Allocation Amount Requested:**  
**Tax-exempt:** \$20,000,000

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**Project Information:**  
**Name:** Stevenson House Apartments  
**Project Address:** 455 E. Charleston Rd.  
**Project City, County, Zip Code:** Palo Alto, Santa Clara, 94306

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**Project Sponsor Information:**  
**Name:** PASHPI Stevenson House L.P. (PASHPI Stevenson House, LLC;  
Palo Alto Senior Housing Project, Inc.)  
**Principals:** Phyllis Cassel, Patrick O'Regan, Krissy Rhoades and Florence  
Buatois for both entities.  
**Property Management Company:** PASHPI Stevenson House L.P.

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**Project Financing Information:**  
**Bond Counsel:** Goldfarb & Lipman LLP  
**Underwriter:** Not Applicable  
**Private Placement Purchaser:** Silicon Valley Bank  
**TEFRA Adoption Date:** April 7, 2014

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 119, with 1 manager's unit  
**Type:** Acquisition and Rehabilitation  
**Type of Units:** Senior Citizens

The proposed acquisition and rehabilitation project is an existing senior apartment development located in the City of Palo Alto, California. The project targets low, very low and extremely low senior households earning up to 60% of the area median income. The units are configured as studio and 1 bedroom apartments. The planned rehabilitation includes upgrading and replacing primary building systems as needed (plumbing and space heating) and complete replacement of all unit interior finishes including new carpet and resilient flooring, new kitchen and bathroom cabinets and fixtures, new appliances, and painting. The scope of work for the buildings exterior include seismic reinforcement of the existing buildings, new roofs, exterior painting and repair/replacement of siding as necessary.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%  
30% (36 units) restricted to 50% or less of area median income households.  
70% (83 units) restricted to 60% or less of area median income households.  
**Unit Mix:** Studio & 1 bedroom

A bona fide service coordinator will provide services free of charge to tenants for a minimum of 10 years.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

<b>Estimated Total Development Cost:</b>	\$	36,875,210	
<b>Estimated Hard Costs per Unit:</b>	\$	73,664	(\$8,766,024 /119 units)
<b>Estimated per Unit Cost:</b>	\$	309,878	(\$36,875,210 /119 units)
<b>Allocation per Unit:</b>	\$	168,067	(\$20,000,000 /119 units)
<b>Allocation per Restricted Rental Unit:</b>	\$	168,067	(\$20,000,000 /119 restricted units)

<b>Sources of Funds:</b>	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 20,000,000	\$ 14,000,000
Direct and Indirect Public Funds	\$ 5,457,198	\$ 5,457,198
Developer Equity	\$ 2,153,357	\$ 0
LIH Tax Credit Equity	\$ 1,201,866	\$ 12,023,969
Seller Carryback Loan	\$ 8,062,789	\$ 5,394,043
<b>Total Sources</b>	<b>\$ 36,875,210</b>	<b>\$ 36,875,210</b>

<b>Uses of Funds:</b>	
Acquisition/Land Purchase	\$ 14,200,000
Hard Construction Costs	\$ 8,766,024
Architect & Engineering Fees	\$ 1,676,000
Contractor Overhead & Profit	\$ 1,082,604
Developer Fee	\$ 2,500,000
Relocation	\$ 1,131,345
Capitalized Interest	\$ 1,526,023
Cost of Issuance	\$ 231,149
Other Soft Costs (Marketing, etc.)	\$ 5,762,065
<b>Total Uses</b>	<b>\$ 36,875,210</b>

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

This will be a private placement bond transaction with the bonds being purchased by Silicon Valley Bank. The bonds will be issued by the California Municipal Finance Authority. The loan will be in the amount of \$20,000,000 and will be comprised of two Series of Bonds as follows: Series A Bonds for approximately \$14,003,226 and Series B Bonds for approximately \$6,000,000. The term for the Series A Bonds will be for 24 months with a fixed interest rate at .50%. The term for the Series B Bonds will be for a term of 24 months from closing date with a fixed interest rate at .75%.

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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:** 65 out of 130

[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$20,000,000 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	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	0
Leveraging	10	10	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	0
Service Amenities	10	10	5
New Construction	10	10	0
Sustainable Building Methods	10	10	5
Negative Points	-10	-10	0
<b>Total Points</b>	<b>130</b>	<b>100</b>	<b>65</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.