

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
September 17, 2014
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Richard Fischer

Applicant: California Municipal Finance Authority

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

Project Information:
Name: Rotary Plaza Apartments
Project Address: 433 Alida Way
Project City, County, Zip Code: South San Francisco, San Mateo, 94080

Project Sponsor Information:
Name: Rotary Plaza, L.P. (Rotary Plaza, Inc. and Carmel Senior Housing, Inc.)
Principals: Edward Bortoli, Houston Lawrence, Bruce J. Wright, Henry Karnilowisz and Pete Carcione for Rotary Plaza, Inc.; Bruce Laycook, Randall Stamper, S. Louise Rankin, David B. Ferguson, Pamela S. Claassen, Ancel Romero, Mary Grace Crisostomo and Gloria Meads for Carmel Senior Housing, Inc.
Property Management Company: American Baptist Homes of the West, Inc.

Project Financing Information:
Bond Counsel: Jones Hall, A Professional Law Corporation
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, N.A.
TEFRA Adoption Date: June 11, 2014

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 177, plus 2 manager units
Type: Acquisition and Rehabilitation
Type of Units: Senior Citizens

Rotary Plaza is an existing 100% affordable studio senior housing development consisting of two residential structures on a 3.10 acre plot in the City of South San Francisco. The two structures are referred to by "East" and "West." East is a three story-L shaped building containing 73 units. West is a four story T-shaped building containing 108 units. The building's common areas are located in West, which currently include a dining room, a commercial scale kitchen, and a game room. Outside there are three gardens and two parking lots. The property will have seismic upgrades, roof, parking lot refurbishment, ADA upgrades, new paint, electrical upgrades, heating and airconditioning. The property is located along the westerly line of Alida Way in the City of South San Francisco. Local area boundaries include Westborough Boulevard to the north; Interstate 380 on the south; Interstate 280 on the west; and the El Camino Real on the east. The area lies approximately one mile southwest of South San Francisco's downtown district of the city. Anticipated rehabilitation completion date is March 2016.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

10% (18 units) restricted to 50% or less of area median income households.

90% (159 units) restricted to 60% or less of area median income households.

Unit Mix: Studio

A bona fide Service Coordinator/Social Worker is included as a service amenity.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 63,579,148	
Estimated Hard Costs per Unit:	\$ 90,659	(\$16,046,604 /177 units)
Estimated per Unit Cost:	\$ 359,204	(\$63,579,148 /177 units)
Allocation per Unit:	\$ 197,740	(\$35,000,000 /177 units)
Allocation per Restricted Rental Unit:	\$ 197,740	(\$35,000,000 /177 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 35,000,000	\$ 18,006,500
Developer Equity	\$ 1,250,000	\$ 1,250,000
LIH Tax Credit Equity	\$ 1,495,295	\$ 22,043,188
Other: Income during operations	\$ 0	\$ 740,970
Other: Seller Carryback	\$ 20,740,000	\$ 20,740,000
Other: Accrued Deferred Interest on Seller Note	\$ 798,490	\$ 798,490
Total Sources	\$ 59,283,785	\$ 63,579,148

Uses of Funds:	
Acquisition/Land Purchase	\$ 31,990,000
Hard Construction Costs	\$ 16,046,604
Architect & Engineering Fees	\$ 869,386
Contractor Overhead & Profit	\$ 2,335,698
Developer Fee	\$ 2,500,000
Relocation	\$ 1,400,000
Cost of Issuance	\$ 1,288,359
Capitalized Interest	\$ 2,172,917
Other Soft Costs (Marketing, etc.)	\$ 4,976,184
Total Uses	\$ 63,579,148

Description of Financial Structure and Bond Issuance:

The Bonds will be issued by California Municipal Finance Authority and privately placed by Citibank, N.A. The Construction terms are 24 month loan term at a variable rate equal to one month LIBOR +1.95% spread with no amortization period. There will be interest only payments during construction. Permanent Financing will be at a fixed rate equal to the sum of 20 year LIBOR swap rates plus a spread of 2.10% (at the time of application 5.38%). The loan term length is 30 years with 35 year Amortization period.

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: 55.5 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$35,000,000 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	7.5
Service Amenities	10	10	5
New Construction	10	10	0
Sustainable Building Methods	10	10	3
Negative Points	-10	-10	0
Total Points	130	100	55.5

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.