

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**January 21, 2015**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Devon King*

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**Applicant:** California Statewide Communities Development Authority

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**Allocation Amount Requested:**  
**Tax-exempt:** \$13,088,000

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**Project Information:**  
**Name:** Pilgrim Terrace Apartments  
**Project Address:** 649 Pilgrim Terrace Drive  
**Project City, County, Zip Code:** Santa Barbara, Santa Barbara, 93101

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**Project Sponsor Information:**  
**Name:** Pilgrim Terrace Affordable L.P. (PTCH/OSK, LLC and Pilgrim Terrace ALP, L.P.)  
**Principals:** John Jeffries, and Anthony Carroccio, for PTCH/OSK, LLC.  
Ken J. Reiner and Gary Carpenter for Pilgrim Terrace ALP, L.P.  
**Property Management Company:** The John Stewart Company

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**Project Financing Information:**  
**Bond Counsel:** Orrick, Herrington & Sutcliffe LLP  
**Underwriter:** Lancaster and Pollard  
**Credit Enhancement Provider:** FHA via Prudential  
**Private Placement Purchaser:** Not Applicable  
**TEFRA Hearing Date:** June 3, 2014

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 83, plus 1 manager unit  
**Type:** Acquisition and Rehabilitation  
**Type of Units:** Senior Citizens

The proposed Acquisition and Rehabilitation project is an 84 unit property that serves low income seniors in the city of Santa Barbara. The project is made up of 76 one-bedroom units, and 7 two-bedroom units for a total of 83 units with one managers unit. Of those 83 units 18 serves seniors making 50% AMI, and the other 65 serves seniors making 60% AMI. The renovations will include all new ADA compliant sidewalks, installation of a ramp over the freeway adjacent to the park, repainting of all surfaces, additional parking, new sprinkler system, and new landscaping. The proposed renovation is scheduled to begin in February 2015 and end September 2015.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%  
22% (18 units) restricted to 50% or less of area median income households.  
78% (65 units) restricted to 60% or less of area median income households.  
**Unit Mix:** 1 & 2 bedrooms

There are no service amenities

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

**Estimated Total Development Cost:** \$ 23,110,532  
**Estimated Hard Costs per Unit:** \$ 44,527 (\$3,695,763 /83 units)  
**Estimated per Unit Cost:** \$ 278,440 (\$23,110,532 /83 units)  
**Allocation per Unit:** \$ 157,687 (\$13,088,000 /83 units)  
**Allocation per Restricted Rental Unit:** \$ 157,687 (\$13,088,000 /83 restricted units)

<b>Sources of Funds:</b>	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 13,088,000	\$ 0
Taxable Bond Proceeds	\$ 1,500,000	\$ 14,588,000
Deferred Developer Fee	\$ 115,585	\$ 115,585
LIH Tax Credit Equity	\$ 6,043,579	\$ 6,906,947
Other(Purchase Reserves)	\$ 250,000	\$ 250,000
Other(Seller Carry Note)	\$ 2,500,000	\$ 1,250,000
<b>Total Sources</b>	<b>\$ 23,497,164</b>	<b>\$ 23,110,532</b>

<b>Uses of Funds:</b>	
Acquisition/Land Purchase	\$ 13,306,300
Rehabilitation Costs	\$ 4,454,479
Relocation	\$ 100,400
New Construction	\$ 75,000
Architectural	\$ 85,000
Survey & Engineering	\$ 190,500
Reports & Studies	\$ 14,500
Construction Period Expenses	\$ 694,764
Permanent Financing Expenses	\$ 740,066
Legal Fees	\$ 184,000
Capitalized Reserves	\$ 672,070
Developer Costs	\$ 2,500,000
Others	\$ 93,453
<b>Total Uses</b>	<b>\$ 23,110,532</b>

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

The proposed project financing consists of Lancaster Pollard, a bond underwriter, selling short term non- credit enhanced tax exempt bonds for the construction phase. The bonds are rated with S&P A-1+ rating. The bonds are for a 16 month term with an interest only payment required. The interest rate is projected at 4.25%. There will also be a taxable FHA loan made for \$1,500,000 with a interest only payments being made for a 16 month loan term. The projected interest rate is at 4.25%. This loan will extend into the permanent financing period. There will be no tax- exempt bonds during the permanent phase of the project. The bonds will be repayed at closing of the construction period and the FHA via Prudential will provide a taxable loan for \$14,588,000 under their 221(d)4 program. This loan has a fixed interest rate at 4.25% with a term and amortization period of 40 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:** 60.5 out of 130

[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve 13,088,00 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	31
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	7
Community Revitalization Area	15	15	0
Site Amenities	10	10	7.5
Service Amenities	10	10	0
New Construction	10	10	0
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
<b>Total Points</b>	<b>130</b>	<b>100</b>	<b>60.5</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.