

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 16, 2016
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Brian Clark

Applicant: California Municipal Finance Authority

Allocation Amount Requested:
Tax-exempt: \$11,100,000

Project Information:
Name: Portola Senior Apartments
Project Address: SE corner of Glenn Ranch Road and Saddleback Ranch Road
Project City, County, Zip Code: Lake Forest, Orange, 92610

Project Sponsor Information:
Name: Portola Seniors CIC, LP (Pacific Southwest Community Development Corp. and CIC Portola Seniors, LLC)
Principals: Mike Walsh, Tony Reyes, Robert Laing and Juan Arroyo for Pacific Southwest Community Development Corp.; James J. Schmid, Cheri Hoffman, Charles A. Schmid and Lynn Harrington-Schmid for CIC Portola Seniors, LLC
Property Management Company: CIC Management, Inc.

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe, LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Union Bank, NA
TEFRA Noticing Date: January 19, 2016
TEFRA Adoption Date: February 2, 2016

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 57, plus 1 manager unit
Type: New Construction
Type of Units: Senior Citizens

The Project will be located on a 1.94 acre site in Lake Forest. The Project will consist of a single four-story building with a ground floor retail center, 58 tenant parking spaces and 50 retail center parking spaces. The Project will contain 57 one-bedroom tenant units and a single one-bedroom manager's unit. Unit amenities will include central heat/AC, blinds, vinyl plank flooring, coat closet, stove/oven, refrigerator and garbage disposal. Community amenities will include indoor and outdoor common areas, community room, on-site management and a laundry facility. Construction is expected to begin in March of 2016 and be completed in June 2017

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

11% (6 units) restricted to 50% or less of area median income households.

89% (51 units) restricted to 60% or less of area median income households.

Unit Mix: 1 bedroom

The proposed project will not be providing service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

| | | |
|---|---------------|-------------------------------------|
| Estimated Total Development Cost: | \$ 22,253,509 | |
| Estimated Hard Costs per Unit: | \$ 131,821 | (\$7,513,793 /57 units) |
| Estimated per Unit Cost: | \$ 390,412 | (\$22,253,509 /57 units) |
| Allocation per Unit: | \$ 194,737 | (11,100,000 /57 units) |
| Allocation per Restricted Rental Unit: | \$ 194,737 | (\$11,100,000 /57 restricted units) |

| Sources of Funds: | Construction | Permanent |
|--------------------------------|----------------------|----------------------|
| Tax-Exempt Bond Proceeds | \$ 11,100,000 | \$ 3,814,000 |
| Master Developer (Seller) Loan | \$ 5,887,303 | \$ 5,887,303 |
| LIH Tax Credit Equity | \$ 1,186,020 | \$ 9,026,732 |
| Deferred Developer Fee | \$ 0 | \$ 1,495,021 |
| Commercial Reimbursement | \$ 1,765,524 | \$ 1,765,524 |
| Deferred Fees & Costs | \$ 2,049,733 | \$ 0 |
| Accrued Soft Loan Interest | \$ 264,929 | \$ 264,929 |
| Total Sources | \$ 22,253,509 | \$ 22,253,509 |

| Uses of Funds: | |
|---|----------------------|
| Land Cost/Acquisition | \$ 3,757,798 |
| New Construction | \$ 9,600,000 |
| Development Impact Fees | \$ 3,179,575 |
| Architectural Fees | \$ 505,000 |
| Survey & Engineering Fees | \$ 247,500 |
| Construction Interest & Fees | \$ 1,103,299 |
| Permanent Financing | \$ 15,000 |
| Legal Fees | \$ 180,000 |
| Reserves | \$ 144,288 |
| Appraisal | \$ 15,000 |
| Contingency | \$ 480,000 |
| Other Project Costs (Soft Costs, Marketing, etc.) | \$ 531,028 |
| Developer Costs | \$ 2,495,021 |
| Total Uses | \$ 22,253,509 |

Description of Financial Structure and Bond Issuance:

The bonds will be purchased in a private placement transaction by Union Bank, NA. During the construction financing phase the loan term will be for 21 months with a variable interest rate equal to 65% of the 1-month LIBOR rate plus a spread (with no floor). During the permanent financing phase, the loan term will be for 15 years with an amortization period of 35 years at a fixed indicative rate of 5.50%.

Analyst Comments:

None

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: 50 out of 140

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$11,100,000 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 |
|--|--|--|---------------|
| Preservation Project | 20 | 20 | 0 |
| Exceeding Minimum Income Restrictions: | 35 | 15 | 25 |
| Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project] | [10] | [10] | 10 |
| Gross Rents | 5 | 5 | 5 |
| Large Family Units | 5 | 5 | 0 |
| Leveraging | 10 | 10 | 0 |
| Community Revitalization Area | 5 | 5 | 0 |
| Site Amenities | 10 | 10 | 0 |
| Service Amenities | 10 | 10 | 0 |
| New Construction or Substantial Renovation | 10 | 10 | 10 |
| Sustainable Building Methods | 10 | 10 | 0 |
| Forgone Eligible Developer Fee (Competitive Allocation Process Only) | 10 | 10 | 0 |
| Minimum Term of Restrictions (Competitive Allocation Process Only) | 10 | 10 | 0 |
| Negative Points (No Maximum) | -10 | -10 | 0 |
| Total Points | 140 | 120 | 50 |

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.