

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.