

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 18, 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: \$39,053,609

Project Information:
Name: Park Avenue Senior Apartments
Project Address: 777 Park Avenue
Project City, County, Zip Code: San Jose, Santa Clara, 95126

Project Sponsor Information:
Name: Park Avenue Seniors, LP (Pinmore HDC Inc.)
Principals: Katherine Harasz, Thomas Graham and Aleli Sangalang for Pinmore HDC Inc.
Property Management Company: FPI Management, Inc.

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe, LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, NA in participation with Silicon Valley Bank
TEFRA Noticing Date: December 28, 2015
TEFRA Adoption Date: January 26, 2016

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 99, plus 1 manager unit
Type: New Construction
Type of Units: Senior Citizens

The proposed senior Project will consist of a five-story residential building, a connected single-story amenities building and 42 parking spaces located on a 0.84 acre parcel in San Jose. The Project will contain 99 tenant units (94 one-bedroom units and 5 two-bedroom units) and a single one-bedroom manager's unit. Unit amenities will include central heat/AC, blinds, carpet, coat closet, refrigerator, stove/oven, dishwasher, garbage disposal and microwave. Site amenities will include common open space patios on each floor, grand lobby with receptionist, multipurpose room, computer lab, library, laundry room, fitness center, FOB key entry security system and on-site management. The Project will also have a large "L" shaped below-grade courtyard that will be constructed over a parking garage podium. The courtyard will have a variety of amenities such as outdoor grills, al fresco seating area, raised planters, wood benches, Thai Chi area and walking paths. "No build" and "recreational use" easements will be recorded against the courtyard. Construction is expected to begin in June 2016 and be completed in February 2018.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (99 units) restricted to 50% or less of area median income households.
Unit Mix: 1 & 2 bedrooms

The proposed project will provide the following service amenities: health and wellness services and programs for a minimum of 100 hours per year and a bona fide service coordinator for a minimum of 350.064 hours per year.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	59,845,787	
Estimated Hard Costs per Unit:	\$	311,832	(\$30,871,349 /99 units)
Estimated per Unit Cost:	\$	604,503	(\$59,845,787 /99 units)
Allocation per Unit:	\$	394,481	(\$39,053,609 /99 units)
Allocation per Restricted Rental Unit:	\$	394,481	(\$39,053,609 /99 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 39,053,609	\$ 16,983,770
Seller Carryback Loan	\$ 6,000,000	\$ 6,000,000
HACSC MTW Loan	\$ 8,199,497	\$ 9,199,497
Parkland Impact Fee Waiver	\$ 940,500	\$ 940,500
LIH Tax Credit Equity	\$ 538,329	\$ 22,309,303
Deferred Developer Fee	\$ 3,992,717	\$ 3,992,717
Accrued/Deferred Interest	\$ 420,000	\$ 420,000
Deferred Costs	\$ 701,135	\$ 0
Total Sources	<u>\$ 59,845,787</u>	<u>\$ 59,845,787</u>

Uses of Funds:	
Land Cost/Acquisition	\$ 6,847,401
New Construction	\$ 33,887,376
Development Impact Fees	\$ 2,007,855
Architectural Fees	\$ 1,168,019
Survey & Engineering Fees	\$ 60,000
Construction Interest & Fees	\$ 2,756,881
Permanent Financing Costs	\$ 163,419
Legal Fees	\$ 142,500
Reserves	\$ 440,544
Appraisal Costs	\$ 16,250
Contingency	\$ 3,472,478
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 2,390,347
Developer Costs	\$ 6,492,717
Total Uses	<u>\$ 59,845,787</u>

Description of Financial Structure and Bond Issuance:

The bonds will be purchased in a private placement transaction by Citibank, NA in participation with Silicon Valley Bank. During the construction financing phase the loan term will be for 36 months with a fixed interest rate equal to the sum of 35% of 2.25% and 65% the 3-year LIBOR swap rate plus a spread of 1.60%, for a current indicative rate of 2.44%. During the permanent financing phase, the loan term will be for 35 years with an amortization period of 35 years at a fixed rate equal to the sum of the 19-year LIBOR swap rate plus a spread of 1.80%, for a current indicative rate of 3.84%.

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:

90 out of 140

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$39,053,609 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	35
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	10
Community Revitalization Area	5	5	0
Site Amenities	10	10	0
Service Amenities	10	10	10
New Construction or Substantial Renovation	10	10	10
Sustainable Building Methods	10	10	10
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	90

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.