

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: Devon King

Applicant: California Statewide Communities Development Authority

Allocation Amount Requested:
Tax-exempt: \$25,305,225

Project Information:
Name: D1 Senior Housing Apartments
Project Address: Intersection of Hamal and Magnet
Project City, County, Zip Code: Irvine, Orange, 92618

Project Sponsor Information:
Name: D1 Senior Irvine Housing Partners, L.P. (Related/D1 Senior Irvine Development Co., LLC and Riverside Charitable Corporation)
Principals: Frank Cardone for Related/D1 Senior Irvine Development Co., LLC and Kenneth S. Robertson for Riverside Charitable
Property Management Company: Related Management Company

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe, LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Union Bank, N.A.
TEFRA Noticing Date: December 24, 2015
TEFRA Adoption Date: January 12, 2016

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 156, plus 1 manager unit
Type: New Construction
Type of Units: Senior Citizens

The D1 Senior Irvine Housing (“Project”) site is approximately 4.94 acres of unimproved vacant land in the City of Irvine. The proposed one hundred fifty-seven (157) unit Senior Project will consist of twelve (12) studio/one bath units; one hundred twenty-four (124) one bedroom/one bath units; and twenty one (21) two bedroom/one bath units (one (1) two bedroom unit will be a manager unit). The Project is comprised of two (2) residential buildings (“Building A” and “Building B”), each with common areas on the ground floor. Building A contains eighty-one (81) residential units and Building B contains seventy-six (76) residential units. The Project contains 183 parking spaces, which exceeds the requirement of 177 parking spaces for the site. The Project will also provide bike racks for bicycle riders. Unit amenities include: bathroom fixtures and finishes, kitchen fixtures, finishes, cabinets, Energy Star rated appliances including dishwashers near sinks, garbage disposals, and refrigerators; energy efficient lighting, ceiling fans in living rooms and bedrooms, energy efficient windows (Dual pane/Low-E), floor and window coverings, air conditioning, exterior decks or patios, bulk storage cabinet, solid-surface countertops. The recreational amenity package is anticipated to include: leasing & social services, quilting studio, painting studio, demonstration kitchen, cardio room, and yoga studio. The Project also includes outdoor amenity space including an outdoor pavilion, a barbeque area, a community garden, a saltwater pool and spa, and two (2) dog parks. The Project is scheduled to close on construction financing in May 2016 and commence construction June 2016 with an estimated completion date of July 2017.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
37% (58 units) restricted to 50% or less of area median income households.
63% (98 units) restricted to 60% or less of area median income households.
Unit Mix: Studio, 1 & 2 bedrooms

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:	\$	47,414,241	
Estimated Hard Costs per Unit:	\$	89,707	(\$13,994,327 /156 units)
Estimated per Unit Cost:	\$	303,937	(\$47,414,241 /156 units)
Allocation per Unit:	\$	162,213	(\$25,305,225 /156 units)
Allocation per Restricted Rental Unit:	\$	162,213	(\$25,305,225 /156 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 25,305,225	\$ 11,272,000
Heritage Fields El Toro Donated Land Value	\$ 0	\$ 10,130,000
LIH Tax Credit Equity	\$ 1,585,358	\$ 15,853,583
Deferred Developer Fee	\$ 2,265,000	\$ 2,030,000
Residual Receipts Loan	\$ 8,128,658	\$ 8,128,658
Total Sources	\$ 37,284,241	\$ 47,414,241

Uses of Funds:	
Land Cost/Acquisition	\$ 10,140,501
Survey & Engineering	\$ 1,432,500
New Construction	\$ 21,152,177
Architectural Fees	\$ 805,000
Construction Interest and Fees	\$ 1,769,000
Permanent Financing	\$ 100,000
Legal Fees	\$ 350,000
Reserves	\$ 374,411
Appraisal	\$ 17,000
Contingency Cost	\$ 1,057,609
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 5,686,043
Developer Costs	\$ 4,530,000
Total Uses	\$ 47,414,241

Description of Financial Structure and Bond Issuance:

The proposed financial structure will be provided by Union Bank, N.A. During the construction financing phase the loan term will be for 30 months with a variable interest rate of 65% of the 30-day LIBOR rate plus 2.75% (with no floor), computed on a three hundred sixty day year. During the permanent financing phase, the loan term will be for 15 years with an amortization period of 35 years at a variable rate of 65% of the 30 day LIBOR rate plus 2.80%. At Loan Closing the interest rate on the loan during the permanent loan period must be hedged with a 30 month forward starting interest rate swap acceptable to Union Bank N.A. Currently that rate would be 5.00% comprised of a 2.20% LIBOR Swap Rate plus 280 basis points.

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:

62.5 out of 140

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$25,305,225 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	0
Community Revitalization Area	5	5	0
Site Amenities	10	10	2.5
Service Amenities	10	10	0
New Construction	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	62.5

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.