

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
November 12, 2014
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Sarah Lester

Applicant: California Municipal Finance Authority

Allocation Amount Requested:

Tax-exempt: \$250,000

The amount of allocation requested is supplemental to the \$20,000,000 of allocation the Project received on May 21, 2014.

Project Information:

Name: Stevenson House Apartments (sup)
Project Address: 455 E. Charleston Rd.
Project City, County, Zip Code: Palo Alto, Santa Clara, 94306

Project Sponsor Information:

Name: PASHPI Stevenson House L.P. (PASHPI Stevenson House, LLC;
Palo Alto Senior Housing Project, Inc.)
Principals: Phyllis Cassel, Patrick O'Regan, Krissy Rhoades and Florence
Buatois for both entities.
Property Management Company: PASHPI Stevenson House L.P.

Project Financing Information:

Bond Counsel: Goldfarb & Lipman LLP
Underwriter: Not Applicable
Private Placement Purchaser: Citibank Global Markets, Inc.
TEFRA Adoption Date: April 7, 2014

Description of Proposed Project:

State Ceiling Pool: General
Total Number of Units: 119, with 1 manager's unit
Type: Acquisition and Rehabilitation
Type of Units: Senior Citizens

The proposed acquisition and rehabilitation project is an existing senior apartment development located in the City of Palo Alto, California. The project targets low, very low and extremely low senior households earning up to 60% of the area median income. The units are configured as studio and 1 bedroom apartments. The planned rehabilitation includes upgrading and replacing primary building systems as needed (plumbing and space heating) and complete replacement of all unit interior finishes including new carpet and resilient flooring, new kitchen and bathroom cabinets and fixtures, new appliances, and painting. The scope of work for the buildings exterior include seismic reinforcement of the existing buildings, new roofs, exterior painting and repair/replacement of siding as necessary.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
30% (36 units) restricted to 50% or less of area median income households.
70% (83 units) restricted to 60% or less of area median income households.
Unit Mix: Studio & 1 bedroom

A bona fide service coordinator will provide services free of charge to tenants for a minimum of 10 years.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	41,352,493	
Estimated Hard Costs per Unit:	\$	85,176	(\$10,135,974 /119 units)
Estimated per Unit Cost:	\$	347,500	(\$41,352,493 /119 units)
Allocation per Unit:	\$	170,168	(\$20,250,000 /119 units)
Allocation per Restricted Rental Unit:	\$	170,168	(\$20,250,000 /119 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 20,250,000	\$ 15,342,856
Income During Construction	\$ 3,151,484	\$ 3,151,484
Developer Equity	\$ 3,248,933	\$ 0
LIH Tax Credit Equity	\$ 2,143,717	\$ 10,718,585
Direct and Indirect Public Funds	\$ 5,225,000	\$ 5,225,000
Seller Carryback Loan	\$ 7,333,359	\$ 6,914,568
Total Sources	\$ 41,352,493	\$ 41,352,493

Uses of Funds:	
Acquisition/Land Purchase	\$ 14,200,000
On-Site & Off-Site Costs	\$ 198,790
Hard Construction Costs	\$ 9,937,184
Architect & Engineering Fees	\$ 1,331,000
Contractor Overhead & Profit	\$ 1,464,649
Developer Fee	\$ 2,500,000
Relocation	\$ 1,713,828
Capitalized Interest	\$ 1,477,080
Cost of Issuance	\$ 234,138
Other Soft Costs (Marketing, etc.)	\$ 8,295,824
Total Uses	\$ 41,352,493

Description of Financial Structure and Bond Issuance:

This will be a private placement bond transaction with the bonds being purchased by Citibank Global Markets, Inc. (the "Citi"). The bonds will be issued by the California Municipal Finance Authority. There are two tranches: Tranche A collateralized with the construction/perm FHA mortgage of \$15,343,000; and Tranche B equal to approximately \$4,907,000, which is cash collateralized by the sponsor (Palo Alto Senior Housing Project, Inc.). At close Citi will draw down the entire bond, and the interest on the two tranches charged by Citi is being underwritten at 75 bps for Tranche A, and 50 bps for Tranche B. The FHA mortgage will be drawn down during construction and is being underwritten at 5.5%.

Analyst Comments:

Not Applicable

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.
