

The James

Irvine, California

Nonprofit-owned, tax-exempt bond financing of a 350-unit rental senior living community



350

Units (210 IL / 110 AL / 30 MC)

\$473M

Tax-exempt and taxable bonds

35-year

Final bond maturity (2059)

Mid-2027

Targeted opening

Transaction Participants

Borrower / Owner	P3 Irvine SL Holdings, LLC (P3 Foundation, Inc.)
Issuer	California Public Finance Authority
Developer	Harbert South Bay Partners
Property Manager	Momentum Senior Living
Underwriter	HJ Sims
Capital Markets Advisor	JLL
Feasibility Study	CliftonLarsonAllen LLP

Prepared From

- Official Statement dated November 14, 2024, including the feasibility study (Appendix B)
- Continuing disclosure filings through July 2026, posted on MSRB EMMA
- CalPFA board materials; City of Irvine entitlement records; Orange County Business Journal

The James (Irvine, CA) — Financing Structure Overview

Nonprofit-owned, tax-exempt bond financing of a 350-unit rental senior living community | Sources: Official Statement dated 11/14/2024 with Feasibility Study (Appendix B); CalPFA staff report 10/22/2024; continuing disclosure filings through July 2026 (EMMA); City of Irvine use determination letter and applicant package (Oct.–Dec. 2017); sponsor press releases; Orange County Business Journal (Jan. 2019).

1. Project Summary

The James is a ground-up rental senior living community at 1001 Gates Avenue, Irvine (3.03 acres, across from The District at Tustin Legacy). It comprises 210 independent living (IL), 110 assisted living (AL) and 30 memory care (MC) units in two towers of up to eight stories (Type IA) over two levels of subterranean parking. All units are planned to be licensed as Residential Care Facilities for the Elderly. The general contractor is W.E. O'Neil under a guaranteed maximum price contract of \$220.7M. Opening is targeted for mid-2027. The sponsors describe it as the first new senior living community in Irvine in 28 years, and JLL and HJ Sims describe the \$473M financing as the largest nonprofit single-site senior living bond issue on record.

2. Parties and Roles

Party	Role
P3 Irvine SL Holdings, LLC	Borrower and owner. Single-purpose LLC whose sole member is P3 Foundation, Inc., a 501(c)(3) formed in 2017.
Harbert South Bay Partners	Developer. Purchaser of Series 2024D subordinate bond; provides \$12M letter of credit for liquidity support.
HSBP Irvine, LLC / Momentum Senior Living	Asset manager (through 2039, with renewals) / property manager.
SBLP Irvine, LLC / LAMB Properties	Land seller (\$50M); received the Series 2024C bond as part of the price. Its parent fund is sponsored by South Bay Partners (now Harbert South Bay) and LAMB Properties. See Section 8.
California Public Finance Authority	Conduit issuer (joint powers authority). The City of Irvine held the TEFRA hearing and has no obligation on the debt.
HJ Sims / JLL	Sole underwriter / capital markets advisor to borrower; JLL also brokered the land sale for the seller and is construction monitor.
CliftonLarsonAllen LLP	Examined the management financial forecast (feasibility study).

3. Capital Structure

Series	Amount	Terms	Holder
2024A senior, tax-exempt	\$442.10M	Coupons 5.70%–6.50%; yields 5.70%–6.55%; term bonds 2034–2059	Institutional / accredited investors
2024B senior, taxable	\$12.93M	8.25%; matures 2033	Institutional / accredited investors
2024C subordinate, tax-exempt	\$10.00M	Capital appreciation bond; accretes at 8.0%/yr; final maturity 6/1/2034; about \$20.8M payable at maturity	SBLP Irvine (land seller)
2024D subordinate, tax-exempt	\$8.00M	Capital appreciation bond; accretes at 8.0%/yr; drawn \$0.1M at closing and the balance 1/1/2027; final maturity 6/1/2039; about \$20.8M payable at maturity	Harbert South Bay Partners
Total par	\$473.03M	Unrated; 35-year final maturity; senior bonds callable in year 7 at 103. Subordinate accretion raises total principal repayable to about \$496.6M	

The senior offering drew 27 institutional investors and was reported by HJ Sims as nearly 2x oversubscribed. Senior bonds are secured by a gross revenue pledge and mortgage; neither the issuer, the City nor P3 Foundation is liable for debt service. Hard construction cost is about \$631K per unit; total project cost about \$962K per unit; total bond debt about \$1.35M of par debt per unit. Including accretion on the subordinate bonds, principal ultimately repayable is about \$1.42M per unit. The gap between project cost and debt reflects capitalized interest, reserves and financing costs.

Reconciling the two sources-and-uses tables	\$M
Official Statement table (final pricing): 2024A par 442.10, less net original issue discount 4.92, plus 2024B 12.93, 2024C 10.00, 2024D 8.00 — sources equal uses	468.11
Feasibility study Table 5 (preliminary sizing: 2024A 441.41 less discount 5.17, 2024B 13.70, subordinate 18.00) — bond proceeds	467.94
Plus interest income on trustee-held funds during construction (in the study table only)	23.98
Feasibility study Table 5 total sources and uses	491.92

The \$23.8M difference between the two totals is construction-period interest earnings, net of small pricing and sizing changes between the preliminary and final structures. Each table balances internally.

4. How the Structure Works

- **Nonprofit ownership enables tax-exempt debt.** Because the owner is a 501(c)(3) affiliate, the project can use qualified 501(c)(3) bonds. These do not require a state private activity volume cap allocation (CDLAC) and, unlike Section 142(d) multifamily bonds, do not carry income set-aside requirements. Federal charitable qualification for elderly housing is addressed in Rev. Rul. 72-124 (housing, health care and financial security needs) and Rev. Rul. 79-18 (operation at the lowest feasible cost and retention of residents who later cannot pay). This federal test is separate from the California property tax determination below.
- **For-profit participation is contractual.** Private business use limits prevent equity ownership by the for-profit parties; they participate through development, asset management and property management agreements, and as subordinate bondholders.
- **Cost of capital and leverage.** Within this issue, taxable bonds priced at 8.25% versus 5.70%–6.55% for tax-exempt bonds. The project is financed almost entirely with bonds rather than a conventional loan plus equity; HJ Sims cited constraints in raising sufficient conventional debt and equity at this size.
- **Property tax (state law, separate from federal status).** The owner intends to claim California's welfare exemption (Rev. & Tax. Code §214). Qualification has two stages: the organization must be found eligible, and the county assessor must separately determine that the property's use qualifies. The Official Statement notes no part of the site is currently exempt from ad valorem taxes; the forecast assumes the exemption is granted. The study's no-exemption sensitivity adds \$0.66M of annual expense; its basis is not disclosed. For reference, roughly 1.1% on a \$386M assessed value would be about \$4.25M per year.

5. Fees and Sources/Uses

Party	Compensation (per OS fee disclosure chart)	Uses (feasibility study sizing)	\$M
Harbert (developer)	\$14.64M at closing; \$7.86M over construction; \$0.95M x2 after stabilization (subordinated)	Land and pre-development	50.0
HSBP Irvine (asset mgr.)	2.5% of gross revenue plus 1.0%–1.5% incentive; subordinated to senior debt service (5-year deferral limit)	Direct construction	221.5
P3 Foundation	\$3.86M acquisition/pre-development fees (partly post-stabilization); \$300K/yr asset management fee	Development fee	22.5
JLL / Momentum	\$3.14M advisory fee at closing / property management fee (~4% of revenue in forecast)	Contingency, FF&E, design, marketing, P3, other	42.7
		Total project cost	336.7
		Funded interest (~37 months)	90.0
		Debt service reserve fund	34.7
		Working capital fund	17.5
		Issuance and finance costs	13.0
		Total (incl. \$24.0M fund earnings)	491.9

6. Bondholder Protections and Covenants

Layered liquidity during lease-up: funded interest, a \$17.5M working capital fund, Harbert's \$12M Synovus Bank letter of credit, and a ~\$34.7M debt service reserve fund. Covenants include senior debt service coverage of 1.10x at the first test and 1.20x thereafter; days cash on hand of 60, then 75, then 90; a quarterly occupancy schedule (16% rising to 82% over the first seven tests); and a cumulative cash flow limit during fill-up. Per the OS summary, several covenant shortfalls require a corrective plan or consultant rather than constituting an automatic event of default.

7. Feasibility Study Forecast (CliftonLarsonAllen, Oct. 2024)

Assumption / output	Forecast
Weighted-avg. monthly fees, 2027 (IL / AL / MC)	\$15,934 / \$14,957 / \$13,044 (include second-person and care fees); +4%/yr from July 2028
Opening and fill-up	July 2027; ~30-month move-in period; IL 15/month for 4 months, then 10/month, then tapering
Stabilized occupancy (2030)	IL 93.8%, AL 93.6%, MC 93.3% (328 of 350 units)
2030 revenue / income available for debt service	\$72.1M / \$42.0M
2030 senior debt service coverage	1.37x senior (1.45x before asset management fee); 1.34x including subordinate bonds
2030 days cash on hand	105
Property tax	Assumed fully exempt

Study sensitivity (management-prepared; not examined by CLA)	2030 senior DSCR	Days cash
Occupancy reduced to breakeven (~77% across levels of care)	1.00x	45
Fill-up extended six months	1.34x	38
No property tax exemption (+\$0.66M expense per study)	1.35x	90

Market context in the study. Seven existing comparable IL communities in the primary market area (670 IL units, 96.4% reported occupancy) list IL monthly fees ranging from about \$3,700 to \$38,000, with most studio and one-bedroom fees between roughly \$4,000 and \$10,000 and the highest fees at Vivante Newport Center (\$13,500–\$38,000). The James lists base IL fees of \$9,064–\$12,397 (one-bedroom) and \$12,612–\$22,000 (two-bedroom) with a limited meal plan; 103 of its 210 IL units are two-bedroom. One planned comparable, MorningStar at Tustin Legacy (145 IL units), is also scheduled for 2027. A development-team community was presented to investors as a proof of concept for the forecast assumptions.

8. Planned Rates: 2017 Zoning Application vs. 2024 Financing

Unit type	2017 projected base rate	2024 base fee schedule	Change at midpoint	Implied annual rate
Independent living studio	\$5,500 (626 sf)	No studios in the financed program	—	—
Independent living one-bedroom	\$6,700 (796–800 sf)	\$9,064–\$12,397 (597–798 sf)	+60%	6.9%
Independent living two-bedroom	\$8,000–\$9,000 (973–1,406 sf)	\$12,612–\$22,000 (983–1,550 sf)	+104%	10.6%
Assisted living studio	\$5,650 (498 sf)	\$7,117–\$10,076 (489–616 sf)	+52%	6.1%
Assisted living one-bedroom	\$6,250 (630 sf)	\$9,890–\$12,367 (618–779 sf)	+78%	8.5%
Assisted living two-bedroom	\$7,850 (927–958 sf)	\$12,772–\$14,396 (898–917 sf)	+73%	8.0%
Memory care studio, private	\$7,000–\$7,450 (340–550 sf)	\$14,500 (305–354 sf)	+101%	10.3%

The 2017 figures are the projected rental rates in the applicant's use determination package for a 375-unit program (265 IL / 70 AL / 40 MC in 436,000 sf) that included three meals a day in the base rate. The 2024 figures are the base monthly fee schedule for the financed 350-unit program (210 / 110 / 30 in 430,317 sf), shown in the feasibility study's comparable-community table, which lists a limited meal plan for independent living. Both exclude the second-person fee (\$1,500 at The James) and assisted living and memory care charges for care, quoted at \$500–\$2,000 per month in 2017. Changes are measured over roughly seven years (October 2017 to November 2024) at the midpoint of each range; unit sizes differ between the two programs, so the comparison is approximate.

9. Site History and Land Transaction

Date	Event
Nov. 1, 2018	Irvine Planning Commission approves conditional use permit 00740304-PCPU for a congregate care facility on the site, together with a transfer of development rights and an addendum to the IBC program EIR. Entitlement processing by Starpointe Ventures, which lists the city approval as October 2018.
Dec. 2018	Joint venture of South Bay Partners and LAMB Properties acquires the 3.02-acre site for \$21.0M, about \$7M per acre, from Rossmore Enterprises, an Aspen, Colorado investor. The site held a roughly 60,000 sf building, last used by SmartHome and largely vacant, since demolished. Brokered by Starpointe Ventures and Newmark Knight Frank (Orange County Business Journal). Acquisition financing is not identified in the public record reviewed.
Oct. 28, 2024	Appraisal by Partner Valuation Advisors, retained by the borrower: as-is value \$51.8M; \$426.3M upon completion; \$520.1M upon stabilization.
Nov. 26, 2024	Site sold by SBLP Irvine, LLC to the borrower for \$50.0M ("land and other pre-development costs"): about \$40M paid from bond proceeds and \$10M in the Series 2024C subordinate bond as deferred purchase price.

SBLP Senior Living Fund I is described in trade press as an affiliate of Harbert South Bay; its sponsor is a joint venture of South Bay Partners and LAMB Properties. The Official Statement identifies SBLP as the land seller; the review did not locate a description of its affiliation in the document. The difference between the 2018 purchase price and the 2024 sale price is \$29.0M before holding, entitlement, design and financing costs incurred from 2018 to 2024, which are not publicly disclosed. JLL represented the seller in the land sale and was separately paid \$3.14M as real estate advisor to P3 Foundation and the borrower.

10. Status as of the July 2026 Continuing Disclosure Report

Item	Reported
Construction progress	56% complete by cost; substantial completion projected May 25, 2027 (7 days after contract date)
Change orders / contingency	\$3.07M executed change orders; ~\$8.4M owner construction contingency remaining
Marketing budget	\$524K spent of \$4.5M as of July 2026 (forecast expensed \$4.09M during 2026); sales office nearing completion
Trustee balances (8/31/2026)	Funded interest \$39.9M; working capital \$18.0M; debt service reserve \$36.5M
Letter of credit	Trustee statement lists the \$12M letter of credit with an 11/26/2025 expiry, the original one-year term. The documents provide for annual renewal until termination (Section 6); a current renewal is not evidenced in the filings reviewed.
Pre-leasing	No deposit or reservation data in the filings reviewed; bondholder calls held Sept. 2025 and April 2026

11. Illustrative Stress Test (independent model calibrated to the feasibility study)

A monthly model was built from the study's occupancy curves, fees, debt service and reserve balances; with no changes it reproduces the study's 1.37x coverage, ~77% breakeven and occupancy covenant path. Results below are illustrative and depend on model simplifications (fitted operating costs, monthly accrual of semiannual debt service, assumed \$386M assessed value at 1.1% if taxable).

Scenario	Stabilized senior DSCR	Lowest rolling 12-month senior coverage after stabilization	Liquidity trough excl. DSRF	DSRF drawn / first draw	Occupancy covenant misses (of 7)
Feasibility forecast (base)	1.37x	1.35x	\$17.9M	None	0
IL fees 15% below forecast	1.18x	1.16x	\$12.0M	None	0
All fees 10% below forecast	1.17x	1.14x	\$12.1M	None	0
No property tax exemption (model basis)	1.23x	1.21x	\$10.6M	None	0
Fill-up 25% slower	1.37x	1.34x	\$9.9M	None	3
Fill-up 40% slower	1.37x	1.21x for the 12 months ended June 2031 (stabilization not reached in horizon)	\$1.9M	None	5
Opening delayed 3 months	1.37x	1.35x	\$9.9M	None	0
Combined: IL fees -10%, AL/MC -5%, fill-up 20% slower, 3-month delay	1.21x	1.19x	\$0.0M	\$1.9M / June 2029	2
Combined: IL -20%, AL/MC -10%, fill-up 33% slower, 6-month delay, 50% taxable, 88% stabilized	0.86x	0.80x for the 12 months ended June 2031	\$0.0M	\$36.5M, fully drained / Sept. 2028; \$0.7M unfunded	4

Sensitivity: results excluding the letter of credit. The letter of credit renews annually under the documents and was outstanding per the most recent trustee statement. The following run removes it entirely to isolate its contribution.

Scenario (letter of credit excluded)	DSRF drawn	First DSRF draw
Feasibility forecast (base)	None	—
No property tax exemption (model basis)	\$1.4M	Nov. 2028
Fill-up 25% slower	\$2.1M	Nov. 2028
Fill-up 40% slower	\$10.1M	Aug. 2028
Combined (moderate)	\$13.9M	June 2028
Combined (severe)	\$36.5M, fully drained; \$12.7M unfunded	April 2028

Method and limitations. "Stabilized DSCR" reflects a stabilized year at the stated fee and occupancy levels, so fill-up and delay scenarios affect liquidity and rolling coverage rather than stabilized coverage. Rolling coverage is operating cash flow before subordinated fees divided by senior debt service over trailing twelve months. The model is a monthly build in Microsoft Excel (*The_James_Stress_Test.xlsx*) containing the occupancy curves, fee and expense assumptions, a senior debt service schedule by bond year, the reserve waterfall and a list of simplifications; it is available on request. Principal simplifications: operating costs are a fixed-plus-per-occupied-unit fit to the study rather than line items; debt service is accrued monthly although paid semiannually; subordinated asset management and P3 fees are treated as deferred until 85% occupancy; investment earnings on reserves are excluded from the monthly waterfall; and property tax, where applied, assumes a \$386M assessed value at 1.1%.

12. Items to Monitor

- Pre-leasing and achieved fees relative to the forecast fee levels and move-in pace.
- Assessor determination on the welfare exemption, and the basis of the study's \$0.66M no-exemption sensitivity.
- Evidence of annual renewal of the \$12M letter of credit; construction completion against the May 2027 schedule.
- Lease-up of competing supply, including the planned MorningStar at Tustin Legacy.
- Quarterly occupancy and cumulative cash flow covenant tests beginning after opening.

Documents: Official Statement and Feasibility Study — emma.msrb.org/P21868874-P11386317-P11825796.pdf; July 2026 disclosure — emma.msrb.org/P22089358-P21586705-P22048385.pdf; EMMA issue page — emma.msrb.org/IssueView/Details/P1429560.