

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**December 16, 2015**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Sarah Lester*

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**Applicant:** California Municipal Finance Authority

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**Allocation Amount Requested:**  
**Tax-exempt:** \$5,026,045

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**Project Information:**  
**Name:** Ventaliso II Apartments  
**Project Address:** 605 Richmar Avenue  
**Project City, County, Zip Code:** San Marcos, San Diego, 92069

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**Project Sponsor Information:**  
**Name:** Ventaliso Family Housing LP (NEXUS for Affordable Housing, Inc.; and AHG Ventaliso, LLC)  
**Principals:** Drew Lippert, Shane Cowan, Jim Reynolds and Tom Silbert for NEXUS Affordable Housing, Inc.; and James Silverwood for AHG Ventaliso, LLC  
**Property Management Company:** Solari Enterprises, Inc.

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**Project Financing Information:**  
**Bond Counsel:** Quint & Thimmig LLP  
**Underwriter:** Not Applicable  
**Credit Enhancement Provider:** Not Applicable  
**Private Placement Purchaser:** US Bank  
**TEFRA Adoption Date:** September 15, 2015

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 47, plus 1 manager unit  
**Type:** Acquisition and Rehabilitation  
**Type of Units:** Family

The project is an acquisition rehab development of a 48 unit large family apartment building located on a 1.65 acre parcel. Of the 48 units, 47 will be 1, 2, and 3 bedroom restricted units, and one (1) will be a 2-bedroom manager unit. This affordable apartment community will serve families at or below 60% AMI levels. A variety of energy efficiencies and water efficiency measures will be added, including drought tolerant landscaping and rooftop solar, which will offset the common electric load. Unit interiors will be upgraded and exteriors will be touched up with stucco patching, new paint, etc. The common area will have ADA upgrades and 10% of the units will be made accessible, to the extent it is technically feasible.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%

72% (34 units) restricted to 50% or less of area median income households.

28% (13 units) restricted to 60% or less of area median income households.

**Unit Mix:** 1, 2, 3 & 4 bedrooms

The proposed project will not be providing service amenities.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

<b>Estimated Total Development Cost:</b>	\$	8,797,328	
<b>Estimated Hard Costs per Unit:</b>	\$	36,014	(\$1,692,671 /47 units)
<b>Estimated per Unit Cost:</b>	\$	187,177	(\$8,797,328 /47 units)
<b>Allocation per Unit:</b>	\$	106,937	(\$5,026,045 /47 units)
<b>Allocation per Restricted Rental Unit:</b>	\$	106,937	(\$5,026,045 /47 restricted units)

<b>Sources of Funds:</b>	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 5,026,045	\$ 2,900,000
Def. Developer Fee	\$ 235,234	\$ 235,234
LIH Tax Credit Equity	\$ 1,125,137	\$ 2,721,182
Direct/Indirect Public Funds	\$ 2,230,912	\$ 2,230,912
Other (Seller Note)	\$ 0	\$ 530,000
Other (Operating Income During Constr.)	\$ 180,000	\$ 180,000
<b>Total Sources</b>	<b>\$ 8,797,328</b>	<b>\$ 8,797,328</b>

<b>Uses of Funds:</b>	
Acquisition/Land Purchase	\$ 4,600,000
Hard Construction Costs	\$ 1,692,671
Architect & Engineering Fees	\$ 130,000
Contractor Overhead & Profit	\$ 71,100
Developer Fee	\$ 970,452
Legal Fees	\$ 150,000
Relocation	\$ 92,000
Cost of Issuance	\$ 200,000
Capitalized Interest	\$ 136,223
Operating Reserve	\$ 113,000
Construction and Permanent Financing	\$ 536,223
Other Soft Costs (Marketing, etc.)	\$ 105,659
<b>Total Uses</b>	<b>\$ 8,797,328</b>

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**Description of Financial Structure and Bond Issuance:**

The financial structure for the proposed project will be a private placement transaction provided by U.S. Bank (the "Bank") for both construction and permanent financing. During the construction phase, the loan term will be for 18 months. The interest rate will be a variable rate equal to the sum of the LIBOR plus 155 bps. At the time of Loan closing, the \$5,026,045 loan issue will be priced at a floating interest rate equal to 30-Day LIBOR (including liquidity fee) plus 155 basis points. During the permanent financing phase, the loan term will be for 15 or 17 years with an amortization period of 35 years. The interest rate will be a fixed rate based on the applicable U.S. Bank CIP rate for a 15-17 year term loan plus 155 basis points. At the time of the commitment, the rate was 5.00% The rate is subject to market fluctuation prior to loan closing. The bonds will be issued by the California Municipal Finance Authority.

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**Analyst Comments:**

None.

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**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.

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**Total Points:** 56.1 out of 130

[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$5,026,045 in tax exempt bond allocation on a carryforward basis.

**ATTACHMENT A**

**EVALUATION SCORING:**

Point Criteria	Maximum Points Allowed for Non-Mixed Income Projects	Maximum Points Allowed for Mixed Income Projects	Points Scored
Federally Assisted At-Risk Project or HOPE VI Project	20	20	0
Exceeding Minimum Income Restrictions:	35	15	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project]	[10]	[10]	0
Gross Rents	5	5	5
Large Family Units	5	5	5
Leveraging	10	10	6.1
Community Revitalization Area	15	15	0
Site Amenities	10	10	5
Service Amenities	10	10	0
New Construction	10	10	0
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
<b>Total Points</b>	<b>130</b>	<b>100</b>	<b>56.1</b>

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.