

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
September 20, 2017
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: \$8,000,000

The amount of allocation requested is supplemental to the \$8,000,000 of allocation the Project received on September 20, 2017.

Project Information:

Name: Paseo del Oro 2 Apartments (supplemental)
Project Address: 428, 430, 432, 434, 436, 438, 440, 446, 458, 460, 464, 466,
470, 472, 474, 476, 480, 482 W. Mission Road
Project City, County, Zip Code: San Marcos, San Diego, 92069

Project Sponsor Information:

Name: Paseo Del Oro Apartments, L.P. (Paseo Del Oro GP LLC)
Principals: Rick Whittingham, Angela Heyward, Jason Knotowicz,
Michael Ruane, Steve PonTell, Michael Finn and Philip
Nelson Lee
Property Management Company: National Community Renaissance of California

Project Financing Information:

Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Private Placement Purchaser: Citibank, N.A.
Cash Flow Permanent Bond: Not Applicable
Public Sale: Not Applicable
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Rating: Not Applicable
TEFRA Noticing Date: July 17, 2017
TEFRA Adoption Date: August 1, 2017

Description of Proposed Project:

State Ceiling Pool: General
Total Number of Units: 120
Manager's Units: 1 Unrestricted
Type: Acquisition and Rehabilitation
Population Served: Family

Paseo del Oro 2 Apartments is an existing project located in San Marcos on a 4.23-acre site. The project consists of 102 restricted rental units, 17 market rate units and 1 unrestricted manager unit. The project has 24 one-bedroom units, 59 two-bedroom units and 37 three-bedroom units. The renovations will include building exterior upgrades. Building exterior renovations will consist of roof replacement, window replacement; repainting the buildings and replacing and upgrading building systems. Individual apartment units will be updated with replacing countertops, cabinetry, flooring, windows, installing new refrigerators, ranges, range hoods, and dishwashers. Lastly, common or site area renovations will consist of playground improvements, site fencing, addressing parking lot deferred maintenance and ADA updates. The rehabilitation is expected to begin in January 2018 and completed in December 2018.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 86%
86% (102 units) restricted to 50% or less of area median income households.
0% (0 units) restricted to 60% or less of area median income households.
Unit Mix: 1, 2 & 3 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: \$ 23,088,903
Estimated Hard Costs per Unit: \$ 16,250 (\$1,950,000 /120 units including mgr. units)
Estimated per Unit Cost: \$ 192,408 (\$23,088,903 /120 units including mgr. units)
Allocation per Unit: \$ 66,667 (\$16,000,000 /120 units including mgr. units)
Allocation per Restricted Rental Unit: \$ 78,431 (\$16,000,000 /102 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 16,000,000	\$ 7,597,000
LIH Tax Credit Equity	\$ 1,127,616	\$ 5,530,616
Seller Loan	\$ 0	\$ 4,000,000
City of San Marcos	\$ 3,727,438	\$ 3,727,438
County of San Diego	\$ 2,233,849	\$ 2,233,849
Total Sources	\$ 23,088,903	\$ 23,088,903

Uses of Funds:	
Land Cost/Acquisition	\$ 13,774,000
Rehabilitation	\$ 3,952,950
Relocation	\$ 120,000
Contractor Overhead & Profit	\$ 292,000
Architectural Fees	\$ 125,000
Survey and Engineering	\$ 40,000
Construction Interest and Fees	\$ 981,196
Legal Fees	\$ 85,000
Reserves	\$ 303,000
Appraisal	\$ 5,000
Hard Cost Contingency	\$ 424,495
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 369,995
Developer Costs	\$ 2,616,267
Total Uses	\$ 23,088,903

Analyst Comments:

The Paseo del Oro 2 Apartments project is a 2015 Expiring Difficult Development Area (DDA) project. CDLAC allowed applicants to increase their initial allocation request up to 20% within the parameters of the original application. Any additional allocation request requires a separate supplemental request. This request is being included in the September 20th committee meeting to account for the additional allocation amount needed beyond a 20% increase. The increase in allocation needed is due to increased developer costs, plus an increase in appraised value which resulted in a increase in the scope of work, including, but not limited to, roof, windows, exterior paint, fixtures, appliances, repairs and lighting.

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.

Recommendation:

Staff recommends that the Committee approves \$8,000,000 in tax-exempt bond allocation on a carryforward basis.