

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 10, 2014
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Devon King

Applicant: California Municipal Finance Authority

Allocation Amount Requested:
Tax-exempt: \$8,000,000

Project Information:
Name: Eastgate at Creekside
Project Address: 100 Creekside Dr.
Project City, County, Zip Code: San Marcos, San Diego, 92068

Project Sponsor Information:
Name: Affirmed Housing Group
Principals: James Silverwood for Affirmed Housing Group
Property Management Company: Solari Enterprises

Project Financing Information:
Bond Counsel: Quint & Thimmig LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: U.S. Bank, N.A.
TEFRA Adoption Date: October 28, 2014

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 41, plus 1 manager unit
Type: New Construction
Type of Units: Family

The proposed project is a New Construction project built in the City of San Marcos. The project will consist of 42 affordable units spread out over (3) three story wood structures with on-grade surface parking. There will be a mix of 1, 2, and 3 bed-room units with 5 units at the 50% AMI Level and 36 units at the 60% and one manager's unit. The architectural style of project can be defined as, "timeless design, built over time, pedestrian oriented" architecture, proposed as the "east end" gateway to anchor the new downtown core envisioned by the San Marcos Creek Specific Plan. Site amenities will include the following: a community room; laundry facility; tot lot; two community bar-b-que areas with seating; and additional landscaped seating areas throughout the site. Construction is scheduled to start in February 2015 and be completed by May 2016.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
12% (5 units) restricted to 50% or less of area median income households.
88% (36 units) restricted to 60% or less of area median income households.
Unit Mix: 1, 2 & 3 bedrooms

There will be no service amenities for this project

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 18,497,000
Estimated Hard Costs per Unit: \$ 209,585 (\$8,593,000 /41 units)
Estimated per Unit Cost: \$ 451,146 (\$18,497,000 /41 units)
Allocation per Unit: \$ 195,122 (\$8,000,000 /41 units)
Allocation per Restricted Rental Unit: \$ 195,122 (\$8,000,000 /41 restricted units)

The Project has total project costs that appear high for the geographic area in which it is located. According to the Project sponsor, the high cost is due to the high cost of land (\$76K per unit) and adjacent off sites; there is street construction on 3 sides which equals a big portion of the cost (\$43K per unit). There is also San Marcos impact fees (\$43.5K per unit). In addition, over and above the community room, management and common areas, there is also almost 7,000 sq. ft. of retail space and 3,591 sq. ft. of retail associated with live/work units.

| Sources of Funds: | <u>Construction</u> | <u>Permanent</u> |
|------------------------------------|----------------------|----------------------|
| Tax-Exempt Bond Proceeds | \$ 8,000,000 | \$ 3,200,000 |
| Developer Equity | \$ 500,681 | \$ 500,681 |
| LIH Tax Credit Equity | \$ 1,442,120 | \$ 5,956,319 |
| Direct & Indirect Public Funds | \$ 8,530,000 | \$ 8,840,000 |
| Other | \$ 24,199 | \$ 0 |
| Total Sources | \$ 18,497,000 | \$ 18,497,000 |
| | | |
| Uses of Funds: | | |
| Acquisition/Land Purchase | \$ 3,200,000 | |
| On & Off Site Costs | \$ 1,800,000 | |
| Hard Construction Costs | \$ 6,793,000 | |
| Architect & Engineering Fees | \$ 945,000 | |
| Contractor Overhead & Profit | \$ 383,000 | |
| Developer Fee | \$ 1,800,000 | |
| Cost of Issuance | \$ 200,000 | |
| Capitalized Interest | \$ 160,000 | |
| Other Soft Costs (Marketing, etc.) | \$ 3,216,000 | |
| Total Uses | \$ 18,497,000 | |

Description of Financial Structure and Bond Issuance:

The Financial Structure of the propose project will be a private placement transaction provided by U.S. Bank("the Bank). It is anticipated that there will \$8,000,000 loan during the construction period and following the completion of construction the loan will be paid down with two Notes; Note A in the amount of \$2,200,000 and Note B for \$1,000,000 for a total of \$3,200,000. The Construction loan will be for a term of 24 months with a variable interest rate loan of a 30 day LIBOR+175 basis points. The permanent loan is for a period of 30 years(Note A and B) and the amortization period is 30 years. The interest rate for Note A will be a fixed interest rate based on U.S. bank CIP rate for a 30 year loan term plus 200 basis points. The term for month B will be a fixed interest rate based on the U.S. Bank CIP rate for a 30 year term plus 150 basis points. The bonds will be issued by the California Municipal Finance Authority

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.

Total Points: 68.5 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$8,000,000 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 |
|---|--|--|---------------|
| Federally Assisted At-Risk Project or HOPE VI Project | 20 | 20 | 0 |
| Exceeding Minimum Income Restrictions: | 35 | 15 | 26 |
| 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 | 0 |
| Leveraging | 10 | 10 | 10 |
| Community Revitalization Area | 15 | 15 | 0 |
| Site Amenities | 10 | 10 | 7.5 |
| Service Amenities | 10 | 10 | 0 |
| New Construction | 10 | 10 | 10 |
| Sustainable Building Methods | 10 | 10 | 10 |
| Negative Points | -10 | -10 | 0 |
| Total Points | 130 | 100 | 68.5 |

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.