

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**May 20, 2015**  
**Staff Report**  
***REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A***  
***QUALIFIED RESIDENTIAL RENTAL PROJECT***

*Prepared by: Devon King*

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**Applicant:** California Statewide Communities Development Authority

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**Allocation Amount Requested:**  
**Tax-exempt:** \$9,100,000

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**Project Information:**  
**Name:** Summit Rose Apartments  
**Project Address:** 460 E. Washington Avenue  
**Project City, County, Zip Code:** Escondido, San Diego, 92025

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**Project Sponsor Information:**  
**Name:** Summit Rose Apartments L.P. (Summit Rose Apartments MGP, LLC and Summit Rose Apartments COGP, LLC)  
**Principals:** William Hirsch, Jonathan B. Webb, Kirk S. Evans Jeffrey A.E. Zoldos, Hilda L. Jusuf, Verne H. Schnaidt for Summit Rose MGP, LLC. Marquis E. Hyatt, Paul Fruchbom, Chris Burns, Kathy Leach, Heidi K Bass, Scott J. Barker, Michael Casciola for Summit Rose COGP, LLC  
**Property Management Company:** VPM Management Inc.

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**Project Financing Information:**  
**Bond Counsel:** Orrick, Herrington & Sutcliffe LLP  
**Underwriter:** Not Applicable  
**Credit Enhancement Provider:** Not Applicable  
**Private Placement Purchaser:** Pillar Capital Finance LLC/ HUD 223(f)  
**TEFRA Adoption Date:** January 7, 2015

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 90, plus 1 manager unit  
**Type:** Acquisition and Rehabilitation  
**Type of Units:** Family

The proposed project is an existing multifamily apartment complex built in 1974 in the city Escondido, and the county of San Diego. The proposed site is 4.16 acres. The Subject consists of 91 one and two-bedroom units with one of the two bedroom units acting as a manager's unit. Nine units are at 50% of the areas median income, and eighty one units are at 60% area median income. Units will have carpeting throughout, except for the entry, bathroom and kitchen areas which will have vinyl flooring. The kitchens will have a refrigerator, cooking range and dishwasher. The units will have air conditioning, heating and window coverings. Walls are sheetrock. The community has a pool, leasing office, community clubhouse, laundry facility, BBQ's and covered parking. Replace or repair patio fences, wood rot on building trim & perimeter fence. Construction is expected to begin in February 2015, and is expected to be completed in February 2016. Some of the proposed rehabilitation items are as follows: exterior painting of the entire building, replacement of all windows and sliding doors with energy efficient, double pane vinyl units, repair the balcony deck, replace the carpets & vinyl, and replacing the HVAC equipment.

**Description of Public Benefits:**

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

10% (9 units) restricted to 50% or less of area median income households.

90% (81 units) restricted to 60% or less of area median income households.

**Unit Mix:** 1 & 2 bedrooms

There are no service amenities provided for the project

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

<b>Estimated Total Development Cost:</b>	\$ 15,258,638	
<b>Estimated Hard Costs per Unit:</b>	\$ 22,259	(\$2,003,315 /90 units)
<b>Estimated per Unit Cost:</b>	\$ 169,540	(\$15,258,638 /90 units)
<b>Allocation per Unit:</b>	\$ 101,111	(\$9,100,000 /90 units)
<b>Allocation per Restricted Rental Unit:</b>	\$ 101,111	(\$9,100,000 /90 restricted units)

<b>Sources of Funds:</b>	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 9,100,000	\$ 1,000,000
Taxable Bond Proceeds	\$ 0	\$ 8,100,000
Deferred Developer Fee	\$ 0	\$ 1,179,593
LIH Tax Credit Equity	\$ 3,425,662	\$ 4,083,252
Other	\$ 895,793	\$ 895,793
<b>Total Sources</b>	<b>\$ 13,421,455</b>	<b>\$ 15,258,638</b>

<b>Uses of Funds:</b>	
Acquisition/Land Purchase	\$ 9,128,220
Hard Construction Costs	\$ 2,003,315
Architect & Engineering Fees	\$ 17,200
Contractor Overhead & Profit	\$ 280,464
Developer Fee	\$ 1,603,546
Cost of Issuance	\$ 955,956
Capitalized Interest	\$ 554,243
Other Soft Costs (Marketing, etc.)	\$ 715,694
<b>Total Uses</b>	<b>\$ 15,258,638</b>

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

The proposed financial structure for the project will be a private placement provided by Pillar Capital Finance LLC with insurance from HUD under the 223f PILOT Loan; along with a subordinate long term debt of \$1,000,000. The tax exempt bond loans will have a term of approximately 24 months, which is equal to twice the renovation period. The tax exempt bonds will be set at a fixed rate (currently 3.910%, including the required Mortgage Insurance Premium). The permanent HUD 223f PILOT loan shall be for 35 years with a 3.46% fixed rate. The term for the subordinate carry-back loan shall be for 35 years with the applicable Federal Rate (currently 2.67%). The financing will be modeled off the Wade-Norris financing structure.

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**Analyst Comments:**

Not Applicable

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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:**

55 out of 130

[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$9,100,000 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	25
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	0
Community Revitalization Area	15	15	10
Site Amenities	10	10	10
Service Amenities	10	10	0
New Construction	10	10	0
Sustainable Building Methods	10	10	5
Negative Points	-10	-10	0
<b>Total Points</b>	<b>130</b>	<b>100</b>	<b>55</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.