

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 17, 2013
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Leslie J. Campaz

Applicant: California Statewide Communities Development Authority

Allocation Amount Requested:
Tax-exempt: \$3,400,000

Project Information:
Name: Casa de Cortez Apartments
Project Address: 528 De Luz Road
Project City, County, Zip Code: Fallbrook, San Diego, 92028

Project Sponsor Information:
Name: Cortez Preservation Limited Partnership (Cortez Cornucopia LLC; Cortez Preservation Partners LLC)
Principals: Terry Szymczak for Cortez Cornucopia LLC; William Szymczak for Cortez Preservation Partners LLC
Property Management Company: Preservation Partners Management Group Inc.

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Red Capital Group, LLL, MAP Lender
Credit Enhancement Provider: HUD, Red Capital Group, LLC, MAP Lender
TEFRA Hearing Date: February 26, 2013

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 31, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family/Federally Assisted At-Risk

The proposed acquisition and rehabilitation project is an existing 32-unit family apartment project located in the City of Fallbrook, County of San Diego, California. There are 6 two-story buildings on the site containing 8 one-bedroom, 14 two-bedroom, and 10 three-bedroom apartment units. Post renovation, the proposed project will offer units at the 50 and 60 percent of the area median income (AMI) or below. Of the 32 total units, 28 will continue to be restricted under a Section 8 HAP contract, as the Project Sponsor plans to apply for a 20 year renewal. As part of the renovation, unit finishes will be replaced including new vinyl flooring in kitchen and baths, new wood cabinets, plumbing, toilets and bath accessories in the bathrooms, new dual pane vinyl low-e windows and vertical blinds, and a new tot-lot will be installed as well as benches and tables on the site. Rehabilitation is anticipated to commence in August of 2013 and be completed by December 2013.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

13%	(4 units) restricted to 50% or less of area median income households.
87%	(27 units) restricted to 60% or less of area median income households.

Unit Mix: 1, 2 & 3 bedrooms

No service amenities will be provided.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 6,164,701	
Estimated Hard Costs per Unit:	\$ 39,446	(\$1,222,848 /31 units)
Estimated per Unit Cost:	\$ 197,571	(\$6,164,701 /31 units)
Allocation per Unit:	\$ 109,677	(\$3,400,000 /31 units)
Allocation per Restricted Rental Unit:	\$ 109,677	(\$3,400,000 /31 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 3,400,000	\$ 0
Taxable Bond Proceeds	\$ 830,400	\$ 4,230,400
LIH Tax Credit Equity	\$ 1,790,248	\$ 1,790,248
Other	\$ 144,053	\$ 144,053
Total Sources	\$ 6,164,701	\$ 6,164,701

Uses of Funds:	
Acquisition/Land Purchase	\$ 2,880,000
Hard Construction Costs	\$ 1,222,848
Architect & Engineering Fees	\$ 27,500
Contractor Overhead & Profit	\$ 171,199
Developer Fee	\$ 669,714
Relocation	\$ 63,000
Cost of Issuance	\$ 20,000
Capitalized Interest	\$ 129,281
Other Soft Costs (Marketing, etc.)	\$ 981,159
Total Uses	\$ 6,164,701

Description of Financial Structure and Bond Issuance:

This transaction will be a Red Mortgage Capital, LLC Credit Enhancement. The project will be financed with a first lien HUD insured construction and permanent loan by Red Mortgage Capital, LLC. The structure will provide, based on current market rates, an interest rate on the mortgage note of approximately 3.25% with a term of 40 years.

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: 62.5 out of 130
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$3,400,000 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	10
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	5
Leveraging	10	10	7.5
Community Revitalization Area	15	15	0
Site Amenities	10	10	10
Service Amenities	10	10	0
New Construction	10	10	0
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
Total Points	130	110	62.5

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.