

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: Sarah Lester

Applicant: California Statewide Communities Development Authority

Allocation Amount Requested:
Tax-exempt: \$33,700,000

Project Information:
Name: Cypress Cove Apartments
Project Address: 260 North Midway Drive
Project City, County, Zip Code: Escondido, San Diego, 92027

Project Sponsor Information:
Name: Bear Valley Housing Associates, LP (Esperanza Housing & Community Development Corporation)
Principals: Susan M. Reynolds, Stephen Baker & Michael Innis-Thompson
Property Management Company: ConAm Management Corporation

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Union Bank, N.A.
TEFRA Adopted Date: February 5, 2015

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 198, plus 2 manager units
Type: Acquisition and Rehabilitation
Type of Units: Family

Cypress Cove Apartments is a 38 year old development of consisting of 200 family apartments on a 12 acre mostly flat site in the City of Escondido, CA. The site includes twenty-seven 2-story buildings of one, two, and three bedroom apartments. The apartment homes will be affordable to low-income families earning between 50% and 60% of Area Median Income (AMI). The existing resident base has a mix of approximately 80% families and 20% seniors. Residential improvements include new roofs, new energy-efficient windows/sliders, new air conditioners, re-plumbing the hot water systems, upgrading the domestic hot water with solar and replacing deteriorated wood siding with new painted surfaces. A portion of the units will receive new kitchen cabinets, countertops, Energy Star appliances, bathroom appliances, interior flooring, hard-wired smoke detectors. Water saving devices will be installed inside the units and in the irrigation to reduce water use. The residential upgrades are meant to maximize

energy efficiency and sustainable building practices, and provide beautiful and livable homes for low income families. Site improvements include a renovated and re-opened Community Building which will contain a community room with kitchen, Learning Center/computer room, and restroom(s). Improvements to the landscape have been carefully designed to reduce the project's demand on the City of Escondido's water supply including the use of drought-tolerant and native plantings, and a sophisticated irrigation system designed to minimize water needs. The landscape has also been strategically designed to accommodate large family needs, including picnic tables and barbeques, designated play areas, and bench seating for passive activities. A community garden will be created for resident use. In addition, the construction scope includes a security system and upgraded perimeter fencing to increase safety and comfort for residents. The project expects to start construction in July 2015 and be completed in July 2016.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

10% (20 units) restricted to 50% or less of area median income households.

90% (178 units) restricted to 60% or less of area median income households.

Unit Mix: 1, 2 & 3 bedrooms

The proposed project will provide instructor-led educational, health and wellness or skill building classes for a minimum of 84 hours per year.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 41,015,677	
Estimated Hard Costs per Unit:	\$ 29,769	(\$5,894,187 /198 units)
Estimated per Unit Cost:	\$ 207,150	(\$41,015,677 /198 units)
Allocation per Unit:	\$ 170,202	(\$33,700,000 /198 units)
Allocation per Restricted Rental Unit:	\$ 170,202	(\$33,700,000 /198 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 33,700,000	\$ 19,960,000
Deferred Costs (Deferred Fee)	\$ 2,449,692	\$ 1,500,000
LIH Tax Credit Equity	\$ 750,000	\$ 15,079,792
Direct & Indirect Public Funds	\$ 1,000,000	\$ 1,000,000
Other (Refunds)	\$ 0	\$ 100,000
Other (Solar Tax Credit)	\$ 0	\$ 259,900
Other (Accrued Interest)	\$ 82,282	\$ 82,282
Other (PVCHA Loans)	\$ 1,350,909	\$ 1,350,909
Other (Income from Operations)	\$ 1,682,794	\$ 1,682,794
Total Sources	\$ 41,015,677	\$ 41,015,677

Uses of Funds:	
Acquisition/Land Purchase	\$ 25,738,923
On-site & Off-site Costs	\$ 506,603
Hard Construction Costs	\$ 5,387,584
Architect & Engineering Fees	\$ 315,000
Contractor Overhead & Profit	\$ 799,482
Developer Fee	\$ 2,500,000
Relocation	\$ 149,060
Cost of Issuance	\$ 298,113
Capitalized Interest	\$ 1,094,576
Other Soft Costs (Constr. Loan)	\$ 3,701,336
Other Soft Costs (Operating Reserve)	\$ 525,000
Total Uses	\$ 41,015,677

Description of Financial Structure and Bond Issuance:

The financial structure for the proposed project will be a private placement transaction provided by Uniion Bank, N.A. (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 30-day LIBOR index plus 160 bps. During the permanent financing phase, the loan term and amortization period will both be for 17 years. As of the date of the commitment letter, the indicative fixed rate would be 4.50%. The bonds will be issued by the California Statewide Communities Development 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:

61 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$33,700,000 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]	8.4
Gross Rents	5	5	5
Large Family Units	5	5	0
Leveraging	10	10	2.6
Community Revitalization Area	15	15	0
Site Amenities	10	10	5
Service Amenities	10	10	5
New Construction	10	10	0
Sustainable Building Methods	10	10	10
Negative Points	-10	-10	0
Total Points	130	100	61

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.