

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE  
July 15, 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 Municipal Finance Authority

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**Allocation Amount Requested:** **Tax-exempt:** \$1,000,000

The amount of allocation requested is supplemental to the \$8,000,000 of allocation the Project received on December 10, 2014.

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**Project Information:**

**Name:** Eastgate at Creekside Apartments  
**Project Address:** Northwest Corner of Grand Avenue and 14,15,16 Creekside Dr.  
**Project City, County, Zip Code:** San Marcos, San Diego, 92068

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**Project Sponsor Information:**

**Name:** Affirmed Housing Group Inc.  
**Principals:** James Silverwood for Affirmed Housing Group Inc.  
**Property Management Company:** Solari Enterprises

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**Project Financing Information:**

**Bond Counsel:** Orrick, Herrington & Sutcliffe LLP  
**Underwriter:** Not Applicable  
**Credit Enhancement Provider:** Not Applicable  
**Private Placement Purchaser:** U.S. Bank, N.A.  
**TEFRA Adoption Date:** June 9, 2015

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**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 studio, 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:** Studio, 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:** \$ 18,609,500  
**Estimated Hard Costs per Unit:** \$ 202,500 (\$8,302,500 /41 units)  
**Estimated per Unit Cost:** \$ 453,890 (\$18,609,500 /41 units)  
**Allocation per Unit:** \$ 219,512 \$9,000,000 /41 units)  
**Allocation per Restricted Rental Unit:** \$ 219,512 \$9,000,000 /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.

<b>Sources of Funds:</b>	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 9,000,000	\$ 2,500,000
Taxable Bond Proceeds	\$ 0	\$ 390,500
Developer Equity	\$ 412,126	\$ 412,126
LIH Tax Credit Equity	\$ 1,610,603	\$ 6,466,874
Direct & Indirect Public Funds	\$ 7,586,771	\$ 8,840,000
Total Sources	\$ 18,609,500	\$ 18,609,500

<b>Uses of Funds:</b>	
Acquisition/Land Purchase	\$ 3,200,000
Local Development Impact Fees	\$ 1,830,000
On & Off Site Costs	\$ 1,576,000
Hard Construction Costs	\$ 6,726,500
Architect & Engineering Fees	\$ 1,200,000
Contractor Overhead & Profit	\$ 290,000
Developer Fee	\$ 1,800,000
Legal Fees	\$ 125,000
Cost of Issuance	\$ 200,000
Reserves	\$ 182,000
Construction and Permanent Financing	\$ 762,000
Other Soft Costs (Third Party Reports, Furnishings, Marketing, etc.)	\$ 718,000
Total Uses	\$ 18,609,500

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

The proposed financial structure is a private placement bond purchase by U.S. Bank for the construction period and Bellwether Enterprise for the Permanent period. The construction period loan term is for 24 months with a variable rate of interest equal to a 30 Day LIBOR plus 165 basis points. The permanent period loan term is for 15 years amortized over a 35 year schedule with a 4.95% interest rate.

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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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**Recommendation:**

Staff recommends that the Committee approve \$1,000,000 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	0
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	0
Large Family Units	5	5	0
Leveraging	10	10	0
Community Revitalization Area	15	15	0
Site Amenities	10	10	0
Service Amenities	10	10	0
New Construction	10	10	0
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
<b>Total Points</b>	<b>130</b>	<b>100</b>	<b>0</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.