

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 18, 2016
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Brian Clark

Applicant:	California Municipal Finance Authority
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Allocation Amount Requested:	Tax-exempt: \$13,300,000
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Project Information:	Name: Quarry Creek Apartments
	Project Address: SW corner of Haymar Drive & College Boulevard
	Project City, County, Zip Code: Carlsbad, San Diego, 92008

Project Sponsor Information:	Name: Quarry Creek CIC, LP (Pacific Southwest Community Development Corporation and CIC Quarry Creek, LLC)
	Principals: Robert W. Laing, Juan P. Arroyo, Michael T. Walsh and Tony Reyes for Pacific Southwest Community Development Corporation; Cheri Hoffman, Charles Schmid, Lynn Harrington-Schmid and James Schmid for CIC Quarry Creek, LLC
	Property Management Company: CIC Management, Inc.

Project Financing Information:	Bond Counsel: Orrick, Herrington & Sutcliffe, LLP
	Underwriter: Not Applicable
	Credit Enhancement Provider: Not Applicable
	Private Placement Purchaser: Citibank, NA
	TEFRA Noticing Date: January 26, 2016
	TEFRA Adoption Date: February 9, 2016

Description of Proposed Project:	State Ceiling Pool: General
	Total Number of Units: 63, plus 1 manager unit
	Type: New Construction
	Type of Units: Family

The Proposed Project will be located on a 3.17 acre site within the Quarry Creek master planned community in Carlsbad. The Project, consisting of 3 two-story buildings, 2 three-story buildings and 118 surface parking spaces; will house 63 tenant units (12 one-bedroom units, 32 two-bedroom units and 19 three-bedroom units) and a single three-bedroom manager's unit. Unit amenities will include central heat/AC, blinds, carpeting, storage closet, coat closet, patio/balcony, refrigerator, stove/oven, dishwasher and garbage disposal. All ground floor units will be ADA accessible, including accessible baths. Site amenities will include a community facility with a kitchen and computer area, courtyard, BBQ/picnic areas, playground, on-site management and two laundry facilities. The Project's common areas, including the community facility and laundry rooms, will be set up for ADA accessibility. Construction is anticipated to begin in June 2016 and be completed in June 2017.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
11% (7 units) restricted to 50% or less of area median income households.
89% (56 units) restricted to 60% or less of area median income households.
Unit Mix: 1, 2 & 3 bedrooms

The proposed project will not be providing service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	20,574,387	
Estimated Hard Costs per Unit:	\$	149,126	(\$9,394,911 /63 units)
Estimated per Unit Cost:	\$	326,578	(\$20,574,387 /63 units)
Allocation per Unit:	\$	211,111	(\$13,300,000 /63 units)
Allocation per Restricted Rental Unit:	\$	211,111	(\$13,300,000 /63 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 13,300,000	\$ 5,624,000
Citibank Subordinate Loan	\$ 0	\$ 440,000
City of Carlsbad Loan	\$ 1,280,000	\$ 1,280,000
Master Developer Loan	\$ 2,835,000	\$ 2,835,000
LIH Tax Credit Equity	\$ 627,965	\$ 9,217,340
Solar Tax Credit Equity	\$ 0	\$ 145,350
Accrued Soft Loan Interest	\$ 123,450	\$ 123,450
Deferred Fees & Costs	\$ 2,407,972	\$ 909,247
Total Sources	\$ 20,574,387	\$ 20,574,387

Uses of Funds:	
Land Cost/Acquisition	\$ 2,840,001
New Construction	\$ 10,710,198
Development Impact Fees	\$ 1,358,502
Architectural Fees	\$ 94,289
Survey & Engineering Fees	\$ 364,300
Construction Interest & Fees	\$ 936,676
Permanent Financing Costs	\$ 137,375
Legal Fees	\$ 177,500
Reserves	\$ 179,027
Contingency	\$ 535,447
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 693,367
Developer Costs	\$ 2,547,705
Total Uses	\$ 20,574,387

Description of Financial Structure and Bond Issuance:

The bonds will be purchased in a private placement transaction by Citibank, NA. During the construction financing phase the loan term will be for 24 months with a fixed interest rate estimated to be 4.00%. During the permanent financing phase, the loan term will be for 15 years with an amortization period of 30 years at a fixed rate estimated to be 5.57%.

Analyst Comments:

None

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:56 out of 140
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$13,300,000 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
Preservation Project	20	20	0
Exceeding Minimum Income Restrictions:	35	15	26
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	10
Gross Rents	5	5	5
Large Family Units	5	5	5
Leveraging	10	10	0
Community Revitalization Area	5	5	0
Site Amenities	10	10	0
Service Amenities	10	10	0
New Construction or Substantial Renovation	10	10	10
Sustainable Building Methods	10	10	0
Forgone Eligible Developer Fee (Competitive Allocation Process Only)	10	10	0
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	0
Negative Points (No Maximum)	-10	-10	0
Total Points	140	120	56

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.