

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

Prepared by: Louise Eller

Applicant: California Statewide Communities Development Authority

Allocation Amount Requested:
Tax-exempt: \$30,396,317

Project Information:
Name: Paradise Creek Housing II Apartments
Project Address: 2010 & 2030 Hoover Avenue
Project City, County, Zip Code: National City, San Diego, 91950

Project Sponsor Information:
Name: Paradise Creek II Housing Partners, L.P. (Related/Paradise Creek II Development Co., LLC and CHW Paradise Creek II Development Co., LLC.
Principals: Frank Cardone for Related/Paradise Creek II Development Co., LLC. Anne Wilson for CHW Paradise Creek II Development Co., LLC.
Property Management Company: Related Management Company

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: MUFG Union Bank, N.A.
TEFRA Noticing Date: October 30, 2015
TEFRA Adoption Date: November 17, 2015

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 91, plus 1 manager unit
Type: New Construction
Type of Units: Family

Paradise Creek Housing II is a new construction project in National City. The project will be constructed on a 2.15 acre site and will include 91 restricted rental units and 1 managers' unit. The project will have 6 studios, 21 one-bedroom, 36 two-bedroom and 29 three-bedroom. All units will be restricted at no more than 50% AMI. Amenities include a multi-use room, conference room, kitchen, lounge, library, computer room, laundry room, fitness room and media room. Residents will also have access to an outdoor space including picnic/bbq areas. The project is located next to a creek and in low lying land. The entire site, lying close to wetlands, requires atypical grading and deep foundations. Due to the nature of the soil and the planned construction activities, a portion of the site has undergone a surcharge of soil to compact the existing conditions and ready the site for development. The foundations for the buildings will sit on approximately 300 piers, reaching depths of 80' below the new development. Additionally, a mat foundation for the building will be poured to rest upon the piers. Construction started in March 2016 and will be completed November 2017.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (91 units) restricted to 50% or less of area median income households.
Unit Mix: Studio, 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:	\$ 54,328,863	
Estimated Hard Costs per Unit:	\$ 313,070	(\$28,489,355 /91 units)
Estimated per Unit Cost:	\$ 597,020	(\$54,328,863 /91 units)
Allocation per Unit:	\$ 334,025	(\$30,396,317 /91 units)
Allocation per Restricted Rental Unit:	\$ 334,025	(\$30,396,317 /91 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 30,396,317	\$ 2,827,858
Residual Receipts Loan: CHW - City	\$ 8,409,000	\$ 14,909,000
Residual Receipts Loan: CHW - IIG	\$ 4,000,000	\$ 4,000,000
LIH Tax Credit Equity	\$ 2,013,112	\$ 20,131,117
AHSC Grant Funds	\$ 5,480,271	\$ 5,480,271
AHSC Loan Funds	\$ 0	\$ 3,760,617
Deferred Developer Fee	\$ 810,163	\$ 0
Ground Lease Donation	\$ 3,220,000	\$ 0
Successor to the CDC National City	\$ 0	\$ 3,220,000
Total Sources	\$ 54,328,863	\$ 54,328,863

Uses of Funds:	
Land Cost/Acquisition	\$ 3,270,000
New Construction	\$ 35,327,500
Architectural Fees	\$ 2,156,000
Survey and Engineering	\$ 900,000
Construction Interest and Fees	\$ 3,266,853
Permanent Financing	\$ 29,000
Legal Fees	\$ 200,000
Reserves	\$ 310,000
Appraisal	\$ 5,000
Contingency Cost	\$ 200,000
Local Development Impact Fees	\$ 712,405
City Park Costs	\$ 3,500,000
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 1,952,105
Developer Costs	\$ 2,500,000
Total Uses	\$ 54,328,863

Description of Financial Structure and Bond Issuance:

The bonds will be purchased in a private transaction by MUFG Union Bank, N.A. During the construction financing phase the loan term will be for 24 months with a variable interest rate of 65% of the 30-day LIBOR rate plus 1.75%. During the permanent financing phase, the loan term will be for 15 years with an amortization period of 35 years at a fixed rate of 5.00% as of March 17, 2016.

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:

85 out of 140

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$30,396,317 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	35
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	10
Community Revitalization Area	5	5	0
Site Amenities	10	10	10
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	85

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.