

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
September 20, 2017
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Richard Fischer

Applicant: California Municipal Finance Authority

Allocation Amount Requested:

Tax-exempt: \$5,900,000

The amount of allocation requested is supplemental to the \$14,100,000 of allocation the Project received on September 20, 2017.

Project Information:

Name: Vista del Sol 2 Apartments Supplemental
Project Address: 1537,1539,1543,1438,1440,1536,1538,1400,
1401,1410,1436,1421,1433,1445 "Q" Avenue
Project City, County, Zip Code: National City, San Diego, 91950

Project Sponsor Information:

Name: Vista del Sol Apartments, L.P. (Vista Del Sol Apartments GP, LLC)

Principals: Richard J. Whittingham, Angela Heyward, Jason Knotowicz for National Community Renaissance of Northern California; Ciriaco Pinedo, Michael Ruane, Steve PonTell, and Philip Nelson Lee for National Community Renaissance of California (NCRC) ; all for Vista Del Sol Apartments GP, LLC

Property Management Company: National Community Renaissance of California

Project Financing Information:

Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Private Placement Purchaser: Citibank, N.A.
Cash Flow Permanent Bond: Not Applicable
Public Sale: Not Applicable
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Rating: Not Applicable
TEFRA Noticing Date: July 17, 2017
TEFRA Adoption Date: August 1, 2017

Description of Proposed Project:

State Ceiling Pool: General
Total Number of Units: 132
Manager's Units: 2 Restricted
Type: Acquisition and Rehabilitation
Population Served: Family

Vista del Sol 2 Apartments is an existing project located in National City on a 4.4-acre site. The project consists of 130 restricted rental units and 2 restricted managers' unit. The project has 78 one-bedroom units, 46 two-bedroom units and 8 three-bedroom units. The renovations will include building exterior and interior upgrades. Building exterior renovations will consist of stucco repairs, roof replacement, window replacements and a fresh coat of paint. Interior renovations will include a laundry room, leasing office and community room upgrades. Individual apartment units will be updated with a new appliance package, countertops, cabinets, fixtures, paint and electrical updates. Lastly, common or site area renovations will consist of concrete repairs, asphalt replacement and ADA updates. The rehabilitation is expected to begin in March 2018 and completed in July 2019.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
17% (23 units) restricted to 50% or less of area median income households.
83% (109 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:	\$ 28,581,152	
Estimated Hard Costs per Unit:	\$ 46,136	(\$6,090,000 /132 units including mgr. units)
Estimated per Unit Cost:	\$ 216,524	(\$28,581,152 /132 units including mgr. units)
Allocation per Unit:	\$ 44,697	(\$20,000,000 /132 units including mgr. units)
Allocation per Restricted Rental Unit:	\$ 44,697	(\$20,000,000 /132 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 20,000,000	\$ 8,865,000
LIH Tax Credit Equity	\$ 673,936	\$ 9,071,810
Deferred Developer Fee	\$ 0	\$ 579,180
Reserves	\$ 0	\$ 212,313
Seller Carryback Loan	\$ 0	\$ 1,500,000
City of National City	\$ 7,878,484	\$ 7,575,484
Capitalized Interest	\$ 0	\$ 777,365
Total Sources	\$ 28,552,420	\$ 28,581,152

Uses of Funds:	
Land Cost/Acquisition	\$ 14,792,000
Rehabilitation	\$ 5,796,216
Relocation	\$ 198,000
Contractor Overhead & Profit	\$ 428,160
Architectural Fees	\$ 125,000
Survey and Engineering	\$ 20,000
Construction Interest and Fees	\$ 1,363,179
Legal Fees	\$ 185,000
Reserves	\$ 1,333,000
Appraisal	\$ 5,000
Hard Cost Contingency	\$ 622,438
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 330,193
Developer Costs	\$ 3,382,966
Total Uses	\$ 28,581,152

Analyst Comments:

The Vista del Sol 2 Apartments project is a 2015 Expiring Difficult Development Area (DDA) project. CDLAC allowed applicants to increase their initial allocation request up to 20% within the parameters of the original application. Any additional allocation request requires a separate supplemental request. This request is being included in the September 20th committee meeting to account for the additional allocation amount needed beyond a 20% increase. The increase in allocation needed is primarily due to an increase in land/acquisition costs, an increase of \$1 million in a reserve amount required by the City of National City, and increased developer costs.

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.

Recommendation:

Staff recommends that the Committee approves \$5,900,000 in tax exempt bond allocation on a carryforward basis.

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	20
Exceeding Minimum Income Restrictions:	35	15	29
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	0
Gross Rents	5	5	5.00
Large Family Units	5	5	0.00
Leveraging	10	10	10.00
Community Revitalization Area	5	5	0.00
Site Amenities	10	10	5.00
Service Amenities	10	10	0.00
New Construction or Substantial Renovation	10	10	0.00
Sustainable Building Methods	10	10	0.00
Forgone Eligible Developer Fee (Competitive Allocation Process Only)	10	10	N/A
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	N/A
Negative Points (No Maximum)	-10	-10	0.00
Total Points	140	110	68.71