

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: Ruben Barcelo

Applicant: California Municipal Finance Authority

Allocation Amount Requested:

Tax-exempt: \$30,000,000

Project Information:

Name: Sierra Vista Apartments
Project Address: 422 Los Vallecitos Boulevard; and 435, 437, 439, 441, 443, 445, 447, 449, 451, 453, 457 and 459 Autumn Drive
Project City, County, Zip Code: San Marcos, San Diego, 92069

Project Sponsor Information:

Name: SVSM Apartments, L.P. (SVSM GP LLC)
Principals: Michael Finn, Philip Nelson Lee, Michael Ruane and Steve PonTell
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: 192
Manager's Units: 2 Unrestricted
Type: Acquisition and Rehabilitation
Population Served: Family

Sierra Vista Apartments is an existing project located in San Marcos on a 10.69-acre site. The project consists of 190 restricted rental units and 2 unrestricted managers' units. The project offers 95 two-bedroom units and 97 three-bedroom units. Building exterior renovations include new windows and sliding doors, deck protective coating, subfloor and dry rot repairs, new roof and fresh paint. Interior renovations include improvements to the leasing office, community room and laundry facility, as well as replacement of boilers, storage tanks and recirculation pumps. Individual apartment units will be updated with new kitchen appliances, kitchen and bathroom countertops, plumbing fixtures, light fixtures, ceiling fans, flooring, window blinds, drywall repair, fresh paint, electrical upgrades and ADA improvements. Lastly, common area renovations include improvements to signage, carport roofs, drainage, landscaping, fences, gates, sidewalks, the playground and ADA accessibility. The rehabilitation is expected to begin in January 2018 and to be completed in December 2018.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

21% (40 units) restricted to 50% or less of area median income households.

79% (150 units) restricted to 60% or less of area median income households.

Unit Mix: 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:	\$ 50,199,845	
Estimated Hard Costs per Unit:	\$ 48,000	(\$9,216,000 /192 units including mgr. units)
Estimated per Unit Cost:	\$ 261,458	(\$50,199,845 /192 units including mgr. units)
Allocation per Unit:	\$ 156,250	(\$30,000,000 /192 units including mgr. units)
Allocation per Restricted Rental Unit:	\$ 157,895	(\$30,000,000 /190 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 30,000,000	\$ 18,000,000
LIH Tax Credit Equity	\$ 691,274	\$ 16,023,010
Deferred Developer Fee	\$ 5,911,952	\$ 2,580,216
Seller Carryback Loan	\$ 3,750,000	\$ 3,750,000
City of San Marcos Loan	\$ 6,850,898	\$ 6,850,898
San Diego County Loan	\$ 1,157,907	\$ 1,157,907
Replacement Reserves	\$ 258,353	\$ 258,353
Capitalized Interest	\$ 1,579,461	\$ 1,579,461
Total Sources	\$ 50,199,845	\$ 50,199,845

Uses of Funds:	
Land Cost/Acquisition	\$ 27,311,000
Rehabilitation	\$ 11,020,608
Relocation	\$ 288,000
Contractor Overhead & Profit	\$ 814,080
Architectural Fees	\$ 125,000
Survey and Engineering	\$ 72,500
Construction Interest and Fees	\$ 2,341,165
Legal Fees	\$ 235,000
Reserves	\$ 630,000
Appraisal	\$ 5,000
Hard Cost Contingency	\$ 1,183,468
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 262,072
Developer Costs	\$ 5,911,952
Total Uses	\$ 50,199,845

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:

80.5 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$30,000,000 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	0
Exceeding Minimum Income Restrictions:	35	15	31
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	7.5
Service Amenities	10	10	0
New Construction or Substantial Renovation	10	10	10
Sustainable Building Methods	10	10	2
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
Total Points	140	120	80.5