

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**September 19, 2018**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Felicity Wood*

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| <b>Applicant:</b> | <b>California Municipal Finance Authority</b> |
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| <b>Allocation Amount Requested:</b> | <b>Tax-exempt:</b> \$13,000,000 |
|-------------------------------------|---------------------------------|

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| <b>Project Information:</b> | <b>Name:</b> Escondido Gardens Apartments                          |
|                             | <b>Project Address:</b> 500 N Midway Drive                         |
|                             | <b>Project City, County, Zip Code:</b> Escondido, San Diego, 92027 |

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| <b>Project Sponsor Information:</b> | <b>Name:</b> Escondido Gardens Partners LP (Escondido Gardens Management LLC; Metro Hotel)   |
|                                     | <b>Principals:</b> David Beacham, Casey Haeling, Colin Rice, Escondido Gardens Management, LLC; Bob McElroy, Robb Lally, Metro Hotel |
|                                     | <b>Property Management Company:</b> Royal Property Management Group, Inc.  |

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|---------------------------------------|---|
| <b>Project Financing Information:</b> | <b>Bond Counsel:</b> Orrick, Herrington & Sutcliffe LLP |
|                                       | <b>Private Placement Purchaser:</b> Citibank, N.A.      |
|                                       | <b>TEFRA Noticing Date:</b> April 27, 2018              |
|                                       | <b>TEFRA Adoption Date:</b> May 15, 2018                |

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|---|---|
| <b>Description of Proposed Project:</b> | <b>State Ceiling Pool:</b> General          |
|   | <b>Total Number of Units:</b> 92            |
|   | <b>Manager's Units:</b> 2 Unrestricted      |
|   | <b>Type:</b> Acquisition and Rehabilitation |
|   | <b>Population Served:</b> Senior Citizens   |

Escondido Gardens Apartments is an existing project located in Escondido on a 4.2-acre site. The project consists of 90 restricted rental units, and two unrestricted managers' units. The project has 92 one-bedroom units. The renovations will include building (exterior/interior) upgrades. Building exterior renovations will consist of a roof replacement and solar panel installation. Individual apartment units will be updated with new appliances, flooring, kitchens and bathrooms. The rehabilitation is expected to begin in February 2019 and be completed in December 2019.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%  
10% (9 units) restricted to 50% or less of area median income households.  
90% (81 units) restricted to 60% or less of area median income households.  
**Unit Mix:** 1 bedroom

The proposed project will not be receiving service amenity points.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

|   |               |   |
|---|---------------|---|
| <b>Estimated Total Development Cost:</b>      | \$ 18,200,000 |   |
| <b>Estimated Hard Costs per Unit:</b>         | \$ 39,000     | (\$3,588,000 /92 units including mgr. units)  |
| <b>Estimated per Unit Cost:</b>               | \$ 197,826    | (\$18,200,000 /92 units including mgr. units) |
| <b>Allocation per Unit:</b>                   | \$ 141,304    | (\$13,000,000 /92 units including mgr. units) |
| <b>Allocation per Restricted Rental Unit:</b> | \$ 144,444    | (\$13,000,000 /90 restricted units)           |

| <b>Sources of Funds:</b>        | <u>Construction</u> | <u>Permanent</u> |
|---------------------------------|---------------------|------------------|
| Tax-Exempt Bond Proceeds        | \$ 13,000,000       | \$ 13,000,000    |
| LIH Tax Credit Equity           | \$ 3,865,000        | \$ 4,828,000     |
| Developer Equity                | \$ 1,335,000        | \$ 0             |
| Deferred Developer Fee          | \$ 0                | \$ 69,500        |
| HUD Replacement/Receipt Release | \$ 0                | \$ 302,500       |
| Total Sources                   | \$ 18,200,000       | \$ 18,200,000    |

| <b>Uses of Funds:</b>                             |               |
|---|---------------|
| Land Cost/Acquisition                             | \$ 9,075,000  |
| Rehabilitation                                    | \$ 3,839,160  |
| Relocation  | \$ 150,000    |
| Contractor Overhead & Profit                      | \$ 287,040    |
| Architectural Fees                                | \$ 150,000    |
| Survey and Engineering                            | \$ 6,000      |
| Construction Interest and Fees                    | \$ 109,850    |
| Permanent Financing                               | \$ 354,500    |
| Legal Fees  | \$ 250,000    |
| Reserves  | \$ 746,000    |
| Appraisal   | \$ 9,150      |
| Hard Cost Contingency                             | \$ 448,000    |
| Other Project Costs (Soft Costs, Marketing, etc.) | \$ 883,140    |
| Developer Costs                                   | \$ 1,892,160  |
| Total Uses  | \$ 18,200,000 |

**Analyst Comments:**

None

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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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**Total Points:**

57.0 out of 140 [See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approves \$13,000,000 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   | 20.00         |
| Exceeding Minimum Income Restrictions:   | 35   | 15   | 25.00         |
| Exceeding Minimum Rent Restrictions<br>[Allowed if 10 pts not awarded above in Preservation Project] | [10]   | [10]   | 0.00          |
| Large Family Units   | 5  | 5  | 0.00          |
| Leveraging   | 10   | 10   | 0.00          |
| Community Revitalization Area  | 5  | 5  | 0.00          |
| Site Amenities   | 10   | 10   | 0.00          |
| Service Amenities  | 10   | 10   | 0.00          |
| New Construction or Substantial Renovation   | 10   | 10   | 10.00         |
| Sustainable Building Methods   | 10   | 10   | 2.00          |
| Forgone Eligible Developer Fee<br>(Competitive Allocation Process Only)                              | 10   | 10   | N/A           |
| Minimum Term of Restrictions<br>(Competitive Allocation Process Only)                                | 10   | 10   | N/A           |
| Negative Points (No Maximum)   | -10  | -10  | 0.00          |
| <b>Total Points</b>  | <b>140</b>   | <b>110</b>                                       | <b>57.00</b>  |