

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**October 17, 2018**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Ruben Barcelo*

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**Applicant:**

**California Municipal Finance Authority**

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**Allocation Amount Requested:**

**Tax-exempt:** \$37,500,000

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**Project Information:**

**Name:** **Heritage Apartments**  
**Project Address:** 1325 Santa Rita and 1388 E. Palomar St.  
**Project City, County, Zip Code:** Chula Vista, San Diego, 91913

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**Project Sponsor Information:**

**Name:** Standard Heritage Venture LP (Standard Heritage Manager LP; and Housing On Merit VIII LLC)  
**Principals:** Jeffrey Jaeger and Scott Alter for Standard Heritage Manager LP; and Jennifer Litwak for Housing On Merit VIII LLC  
**Property Management Company:** Apartment Management Consultants, L.L.C.

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**Project Financing Information:**

**Bond Counsel:** Orrick, Herrington & Sutcliffe LLP  
**Private Placement Purchaser:** JLL Capital Markets  
**Cash Flow Permanent Bond:** Not Applicable  
**Public Sale:** Not Applicable  
**Underwriter:** Not Applicable  
**Credit Enhancement Provider:** Not Applicable  
**Rating:** Not Applicable  
**TEFRA Noticing Date:** August 24, 2018  
**TEFRA Adoption Date:** September 11, 2018

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**Description of Proposed Project:**

**State Ceiling Pool:** General  
**Total Number of Units:** 271  
**Manager's Units:** 3 Unrestricted  
**Type:** Acquisition and Rehabilitation  
**Population Served:** Family

Heritage Apartments is an existing project located in Chula Vista on a 6.6-acre site. The project consists of 268 restricted rental units and 3 unrestricted manager units distributed as 90 one-bedroom units, 115 two-bedroom units, 54 three-bedroom units and 12 four-bedroom units. Building exterior renovations include a new roof, waterproofing of elevated walkways and landings and fresh paint. Interior renovations include elevator modernization and upgrades to the community room, laundry facilities, management offices and common area corridors. Individual units will be updated with new kitchen appliances, cabinets, countertops, flooring, A/C units, water heaters, fresh paint, with upgrades to the plumbing and electrical systems. Site area renovations include resurfacing of the on-site children's playground and new signage. The rehabilitation is expected to begin in January 2019 and be completed in December 2019.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%

100% (268 units) restricted to 60% or less of area median income households.

**Unit Mix:** 1, 2, 3 & 4 bedrooms

The proposed project will be receiving service amenity points for providing an after-school student program.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

<b>Estimated Total Development Cost:</b>	\$ 62,977,859	
<b>Estimated Hard Costs per Unit:</b>	\$ 24,613	(\$6,670,159 /271 units including mgr. units)
<b>Estimated per Unit Cost:</b>	\$ 232,391	(\$62,977,859 /271 units including mgr. units)
<b>Allocation per Unit:</b>	\$ 138,376	(\$37,500,000 /271 units including mgr. units)
<b>Allocation per Restricted Rental Unit:</b>	\$ 139,925	(\$37,500,000 /268 restricted units)

**Sources of Funds:**

	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 37,500,000	\$ 37,500,000
LIH Tax Credit Equity	\$ 18,857,177	\$ 18,857,177
Developer Equity	\$ 6,620,682	\$ 6,620,682
<b>Total Sources</b>	<b>\$ 62,977,859</b>	<b>\$ 62,977,859</b>

**Uses of Funds:**

Land Cost/Acquisition	\$ 44,500,000
Rehabilitation	\$ 7,147,075
Contractor Overhead & Profit	\$ 533,613
Architectural Fees	\$ 167,500
Construction Interest and Fees	\$ 106,110
Permanent Financing	\$ 357,500
Legal Fees	\$ 320,000
Reserves	\$ 882,769
Appraisal	\$ 8,000
Hard Cost Contingency	\$ 842,016
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 600,205
Developer Costs	\$ 7,513,071
<b>Total Uses</b>	<b>\$ 62,977,859</b>

**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:**

55 out of 140 [See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approves \$37,500,000 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	20
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	0
Large Family Units	5	5	0
Leveraging	10	10	0
Community Revitalization Area	5	5	0
Site Amenities	10	10	10
Service Amenities	10	10	5
New Construction or Substantial Renovation	10	10	0
Sustainable Building Methods	10	10	0
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
<b>Total Points</b>	<b>140</b>	<b>110</b>	<b>55</b>