

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 12, 2018
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Felicity Wood

Applicant: California Statewide Communities Development Authority

Allocation Amount Requested:

Tax-exempt: \$25,000,000

Project Information:

Name: La Mesa Springs Apartments
Project Address: 8070 Orange Avenue
Project City, County, Zip Code: La Mesa, San Diego, 91941

Project Sponsor Information:

Name: La Mesa Springs Preservation, LP (RCH La Mesa Springs GP, LLC; Wakeland La Mesa, LLC; Community Opportunity Fund; LIHTC Investor TBD)
Principals: Jonathan F.P. Rose, Michael Daly, Michael Arman, Nathan Taft, Ken Sauder, Susan B. Plum, Julie Appel
Property Management Company: Rose Community Management, LLC

Project Financing Information:

Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Private Placement Purchaser: Not Applicable
Cash Flow Permanent Bond: Not Applicable
Public Sale: Rated
Underwriter: Stifel, Nicolaus & Company
Credit Enhancement Provider: Hunt Capital Mortgage, LLC
Rating: AA+
TEFRA Noticing Date: May 3, 2018
TEFRA Adoption Date: May 22, 2018

Description of Proposed Project:

State Ceiling Pool: General
Total Number of Units: 129
Manager's Units: 1 Unrestricted
Type: Acquisition and Rehabilitation
Population Served: Senior Citizens

La Mesa Springs Apartments is an existing project located in La Mesa on a 1.63-acre site. The project consists of 128 restricted rental units, and one unrestricted manager's unit. The project has 128 one-bedroom units and one two-bedroom unit. The renovations will include building exterior and interior upgrades. Building exterior renovations will consist of window and door upgrades as necessary. Interior renovations will include fully redesigned common spaces, new fitness center, new business/learning center, updated lounge, library and leasing areas. Individual apartment units will be updated with energy-efficient appliances, new kitchen counters and flooring, refinished kitchen cabinets and hardware, new bathroom vanities and medicine cabinets, and new plumbing and light fixtures. The rehabilitation is expected to be completed in November 2019.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

11% (14 units) restricted to 50% or less of area median income households.

89% (114 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:

Estimated Total Development Cost:	\$ 42,057,381	
Estimated Hard Costs per Unit:	\$ 27,164	(\$3,504,101 /129 units including mgr. unit)
Estimated per Unit Cost:	\$ 326,026	(\$42,057,381 /129 units including mgr. unit)
Allocation per Unit:	\$ 193,798	(\$25,000,000 /129 units including mgr. unit)
Allocation per Restricted Rental Unit:	\$ 195,313	(\$25,000,000 /128 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 25,000,000	\$ 0
Taxable Proceeds	\$ 500,000	\$ 25,500,000
LIH Tax Credit Equity	\$ 6,029,863	\$ 11,069,000
LIHTC Equity Bridge Loan	\$ 2,539,325	\$ 0
Seller Carryback Note	\$ 3,000,000	\$ 3,000,000
Income During Rehab	\$ 222,468	\$ 222,468
Deferred to Permanent	\$ 2,499,812	\$ 0
Deferred Developer Fee	\$ 2,265,913	\$ 2,265,913
Total Sources	\$ 42,057,381	\$ 42,057,381

Uses of Funds:	
Land Cost/Acquisition	\$ 28,300,000
Rehabilitation	\$ 4,346,841
Relocation	\$ 516,000
Contractor Overhead & Profit	\$ 328,064
Architectural Fees	\$ 216,750
Survey and Engineering	\$ 2,300
Construction Interest and Fees	\$ 1,300,088
Permanent Financing	\$ 80,510
Legal Fees	\$ 265,000
Reserves	\$ 817,683
Appraisal	\$ 10,500
Hard Cost Contingency	\$ 467,490
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 712,247
Developer Costs	\$ 4,693,908
Total Uses	\$ 42,057,381

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:

55 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$25,000,000 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
Exceeding Minimum Income Restrictions:	35	15	25
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	0
Large Family Units	5	5	0.00
Leveraging	10	10	0.00
Community Revitalization Area	5	5	0.00
Site Amenities	10	10	10.00
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	55.00