

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 Statewide Communities Development Authority

Allocation Amount Requested:
Tax-exempt: \$21,100,000

Project Information:
Name: Cottages at Mission Trail Apartments
Project Address: West of intersection of Sedco Boulevard and Mission Trail
Project City, County, Zip Code: Lake Elsinore, Riverside, 92530

Project Sponsor Information:
Name: Mission Cottages, LP (Cottages Management, LLC; and AOF Mission Trails, LLC)
Principals: Steven P. Semingson for Cottages Management, LLC; and Philip Kennedy for AOF Mission Trails, LLC
Property Management Company: U.S. Residential Group

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Private Placement Purchaser: Bank of the West
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 25, 2017
TEFRA Adoption Date: August 8, 2017

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 143
Manager's Units: 1 Unrestricted
Type: New Construction
Population Served: Family

Cottages at Mission Trail Apartments is a new construction project located in Lake Elsinore on a 19.46-acre site. The project will consist of 142 restricted rental units and 1 unrestricted manager unit. Unit mix will be 39 two-bedroom units and 104 three-bedroom units. The project will be comprised of 104 residential buildings featuring single-family and duplex structures. Common amenities will include a community room and large outdoor common areas with the residential units arranged around a central park. Each unit will feature a refrigerator, stove/oven, dishwasher, garbage disposal and washer/dryer hookup. Construction is expected to begin in September 2017 and to be completed in November 2018.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

14% (20 units) restricted to 50% or less of area median income households.

86% (122 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:	\$	37,315,018	
Estimated Hard Costs per Unit:	\$	116,757	(\$16,696,184 /143 units including mgr. units)
Estimated per Unit Cost:	\$	260,944	(\$37,315,018 /143 units including mgr. units)
Allocation per Unit:	\$	147,552	(\$21,100,000 /143 units including mgr. units)
Allocation per Restricted Rental Unit:	\$	148,592	(\$21,100,000 /142 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 21,100,000	\$ 16,700,000
LIH Tax Credit Equity	\$ 8,381,631	\$ 12,398,859
Deferred Developer Fee	\$ 1,467,375	\$ 2,116,399
Deferred Costs	\$ 844,762	\$ 0
Seller Carryback Loan	\$ 1,071,250	\$ 1,071,250
Net Income From Operations	\$ 0	\$ 378,510
City of Lake Elsinore Loan	\$ 4,450,000	\$ 4,650,000
Total Sources	\$ 37,315,018	\$ 37,315,018

Uses of Funds:	
Land Cost/Acquisition	\$ 3,132,999
Relocation	\$ 20,252
New Construction	\$ 17,869,571
Contractor Overhead & Profit	\$ 1,334,295
Architectural Fees	\$ 1,100,000
Survey and Engineering	\$ 15,000
Construction Interest and Fees	\$ 1,525,424
Permanent Financing	\$ 605,408
Legal Fees	\$ 235,000
Reserves	\$ 423,991
Appraisal	\$ 10,000
Hard Cost Contingency	\$ 1,141,887
Local Development Impact Fees	\$ 1,291,673
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 4,414,909
Developer Costs	\$ 4,194,609
Total Uses	\$ 37,315,018

Analyst Comments:

None.

Legal Questionnaire:

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:

69.5 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$21,100,000 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	27
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	2.5
Service Amenities	10	10	0
New Construction or Substantial Renovation	10	10	10
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
Total Points	140	120	69.5