

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**December 16, 2015**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Sarah Lester*

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**Applicant:** Housing Authority of the City of Chula Vista

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**Allocation Amount Requested:**  
**Tax-exempt:** \$19,400,000

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**Project Information:**  
**Name:** Duetta Apartment Homes  
**Project Address:** Corner of Stylus Street & Orion Boulevard  
**Project City, County, Zip Code:** Chula Vista, San Diego, 91915

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**Project Sponsor Information:**  
**Name:** F Street Family CIC, LP (Pacific Southwest Community Development Corporation; and CIC F Street Family, LLC)  
**Principals:** Robert W. Laing and Juan P. Arroyo for Pacific Southwest Community Development Corporation; James J. Schmid, Cheri Hoffman, Charles A. Schmid and Lynn Schmid for CIC F Street Family, LLC  
**Property Management Company:** CIC Management, Inc.

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**Project Financing Information:**  
**Bond Counsel:** Stradling, Yocca, Carlson & Rauth  
**Underwriter:** Not Applicable  
**Credit Enhancement Provider:** Not Applicable  
**Private Placement Purchaser:** Citibank, NA (constr./perm) & CIC Opportunities Fund, Inc. (\$725K perm)  
**TEFRA Adoption Date:** October 13, 2015

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 86, plus 1 manager unit  
**Type:** New Construction  
**Type of Units:** Family

Duetta Apartment Homes is an 87 unit family new construction development, 100% affordable on an approximate 1.36 acre parcel in the Otay Mesa neighborhood in the City of Chula Vista. It will consist of 25 one bedroom, 35 two bedroom and 27 three bedroom units in one five-story building. It will also have surface parking adequate for the tenants and their guests. A community room will be located on site as will a leasing office. Unit amenities include central heat and air conditioning, blinds, vinyl flooring in the kitchen, bathrooms and entry area with wall to wall carpeting throughout the remainder of the unit. Appliances include a stove/oven, garbage disposal and refrigerator. The 86 units will be restricted to tenants with household incomes ranging from 50 percent to 60 percent of the San Diego Area Median Income. One two-bedroom unit will be reserved for an onsite manager. Construction is anticipated to last twelve months beginning in February of 2016 and finishing in May of 2017.

**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% (77 units) restricted to 60% or less of area median income households.

**Unit Mix:** 1, 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:**

<b>Estimated Total Development Cost:</b>	\$	31,220,744	
<b>Estimated Hard Costs per Unit:</b>	\$	168,385	(\$14,481,080 /86 units)
<b>Estimated per Unit Cost:</b>	\$	363,032	(\$31,220,744 /86 units)
<b>Allocation per Unit:</b>	\$	225,581	(\$19,400,000 /86 units)
<b>Allocation per Restricted Rental Unit:</b>	\$	225,581	(\$19,400,000 /86 restricted units)

<b>Sources of Funds:</b>	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 19,400,000	\$ 7,674,328
Master Developer Loan	\$ 4,832,589	\$ 4,832,589
Def. Developer Fee	\$ 0	\$ 590,254
LIH Tax Credit Equity	\$ 1,635,550	\$ 13,995,256
Direct/Indirect Public Funds	\$ 2,975,514	\$ 2,975,514
Other (Def. Fees & Costs, Accr.Soft Loan Int.)	\$ 2,377,091	\$ 1,152,803
<b>Total Sources</b>	\$ 31,220,744	\$ 31,220,744

<b>Uses of Funds:</b>	
Acquisition/Land Purchase	\$ 1
Hard Construction Costs	\$ 14,481,080
Architect & Engineering Fees	\$ 642,500
Contractor Overhead & Profit	\$ 1,125,931
Developer Fee	\$ 2,500,000
Legal Fees	\$ 150,000
Local Development Impact Fees	\$ 4,098,134
Cost of Issuance	\$ 147,106
Cost Contingency	\$ 821,832
Operating Reserve	\$ 227,110
Capitalized Interest	\$ 746,002
Construction and Permanent Financing	\$ 508,241
Acquisition of Off-Site Improvements	\$ 4,832,589
Other Soft Costs (Marketing, etc.)	\$ 940,218
<b>Total Uses</b>	\$ 31,220,744

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**Description of Financial Structure and Bond Issuance:**

The financial structure for the proposed project will be a private placement transaction provided by Citibank, NA (the "Bank") for both construction and permanent financing. The Bank will be providing a \$18,675,000 loan during the construction phase, which will convert to a \$6,979,328 permanent loan. CIC Opportunities Fund, Inc. will also be providing the remaining \$725,000 (Junior Bonds) in permanent financing. During the construction phase, the Bank's loan term will be for 24 months with one 6-month extension option. The interest rate will be a variable rate equal to the sum of the 1-month LIBOR index plus a spread of 1.80%. At the time of lender commitment, the 1-month LIBOR index was at 0.19% for an all-in rate of 1.99%. The Junior Bonds' maturity date will be February 1, 2061, assuming a February 1, 2016 closing date. The interest rate will be 9.00% per annum payable monthly. Upon the Junior Bonds' conversion date, the interest rate will be 8.00% per annum payable from i) 50% of available cash flow, until all of the deferred developer fee is paid off; and ii) thereafter, payable from 75% of available cash flow. During the permanent financing phase, the Bank's loan term will be for 15 years with an amortization period of 35 years with one six month option to extend. The interest rate will be a fixed rate equal to the sum of the 18 year LIBOR Swap Index plus a spread of 1.80%. At the time of lender commitment, the 18 year LIBOR swap index was 2.48% for an indicative rate of 4.28%. The bonds will be issued by the Housing Authority of the City of Chula Vista.

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**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:**

70 out of 130

[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$19,400,000 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
Federally Assisted At-Risk Project or HOPE VI Project	20	20	0
Exceeding Minimum Income Restrictions:	35	15	25
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project]	[10]	[10]	10
Gross Rents	5	5	5
Large Family Units	5	5	5
Leveraging	10	10	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	5
Service Amenities	10	10	0
New Construction	10	10	10
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
<b>Total Points</b>	<b>130</b>	<b>100</b>	<b>70</b>

The criteria for which points are awarded will also be incorporated into the Resolution transferring Allocation to the Applicant as well as the appropriate bond documents and loan and finance agreements.