

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
November 14, 2012
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Sarah Lester

Applicant: Housing Authority of the City of San Diego

Allocation Amount Requested:
Tax-exempt: \$37,500,000

Project Information:
Name: Fairbanks Commons Apartments
Project Address: NW Corner of Camino San Bernardo & Nighthawk Lane
Project City, County, Zip Code: San Diego, San Diego, 92127

Project Sponsor Information:
Name: Fairbanks Commons CIC, LP (Pacific Southwest Community Development Corporation and CIC Fairbanks Commons, LLC)
Principals: Robert W. Laing and Tony Reyes for Pacific Southwest Community Development Corporation; Cheri Hoffman, Lynn Harrington Schmid and James Schmid for CIC Fairbanks Commons, LLC
Property Management Company: CIC Management, Inc.

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, N.A.
TEFRA Hearing Date: July 10, 2012

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 163, plus 2 manager units
Type: New Construction
Type of Units: Family

The proposed project is a new construction development that will sit on 6.60 acres. The site is currently vacant and undeveloped and will be comprised of 8 two-story and 5 three-story garden-style buildings and will include 296 surface parking spaces. The project will consist of 165 total units, two of which will be manager units. Of the 163 restricted units, 19 will be one-bedroom units, 79 will be two-bedroom units and 65 will be three-bedroom units. The unit mix will comprise of 17 units at or below 50% of the area median income and 146 units will be at or below 60% of the area median income. According to the market study provided in the application, the developer anticipates the date of market entry to be April 2014.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

10% (17 units) restricted to 50% or less of area median income households.

90% (146 units) restricted to 60% or less of area median income households.

Unit Mix: 1, 2 & 3 bedrooms

The proposed project will provide after school programs and instructor-led educational, health and wellness or skill building classes.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 51,506,366	
Estimated Hard Costs per Unit:	\$ 110,250	(\$17,970,755 /163 units)
Estimated per Unit Cost:	\$ 315,990	(\$51,506,366 /163 units)
Allocation per Unit:	\$ 230,061	(\$37,500,000 /163 units)
Allocation per Restricted Rental Unit:	\$ 230,061	(\$37,500,000 /163 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 37,500,000	\$ 16,628,000
Deferred Developer Fee	\$ 0	\$ 1,110,801
Master Developer Contributions (MDC)	\$ 2,279,759	\$ 2,279,759
MDC - FBA Credits	\$ 6,982,140	\$ 6,982,140
LIH Tax Credit Equity	\$ 2,218,141	\$ 22,180,666
Deferred Costs	\$ 2,526,326	\$ 0
Subordinate Bonds	\$ 0	\$ 2,325,000
Total Sources	\$ 51,506,366	\$ 51,506,366

Uses of Funds:	
Acquisition/Land Purchase	\$ 11,289,759
New Construction Costs	\$ 20,862,861
Architectural	\$ 760,000
Survey & Engineering	\$ 190,000
Contingency Costs	\$ 1,190,038
Construction Period Expenses	\$ 2,671,888
Permanent Financing Expenses	\$ 78,250
Legal Fees	\$ 215,000
Capitalized Reserves	\$ 455,427
Reports & Studies	\$ 40,000
Other	\$ 11,253,143
Developer Costs	\$ 2,500,000
Total Uses	\$ 51,506,366

Description of Financial Structure and Bond Issuance:

The financial structure for the proposed project will be a private placement transaction provided by Citibank, N.A. for A and B Bonds in the amount of \$37,500,000, the tax-exempt bond allocation. The bonds will be issued by the Housing Authority of the City of San Diego (the "Housing Authority"). The proceeds of the bonds shall fund an interim construction loan converting in to a permanent mortgage loan. The term of the interim phase will be 24 months, plus one 6-month extension. The interest rate during this phase will be a variable rate of SIFMA plus 225 bps, including 5 bps servicing fee. The rate will adjust monthly. Bond proceeds will be advanced to borrower on a "draw down" basis. The permanent phase will last for a term of 15 years with an amortization period of 35 years. The interest rate will be a fixed rate equal to the sum of 15-year maturity "AAA" bond rates as published by Thompson Municipal Market Monitor ("MMD") plus a spread of 2.50%. There will also be a Junior Bond Purchase (C Bond) in the amount of \$2,325,000 purchased by Municipal Capital Appreciation Partners IV, LP, an accredited investor. This C Bond will be issued by the Housing Authority.

Analyst Comments:

Not Applicable

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:

72.5 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$37,500,000 in tax exempt bond allocation.

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	0
Community Revitalization Area	15	15	0
Site Amenities	10	10	7.5
Service Amenities	10	10	10
New Construction	10	10	10
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
Total Points	130	100	72.5

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.