

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 11, 2013
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Crystal Alvarez

Applicant: Housing Authority of the City of San Diego

Allocation Amount Requested:

Tax-exempt: \$6,291,527

Project Information:

Name: Alpha Square Apartments
Project Address: 14th and Market Street Apartments
Project City, County, Zip Code: San Diego, San Diego, 92101

Project Sponsor Information:

Name: Alpha Square 4%, L.P. (Metro Hotel Community Association, Pacific Southwest Corporation and CIC [Chelsea Investment Corporation] Alpha Square 4%, LLC)
Principals: Robert McElroy for Motro Hotel Community Association; Robert Laing and Juan Arroyo for Pacific Southwest Community Development Corporation; James J. Schmid, Cheri Hoffman, Charles A. Schmid and Lynn Harrington Schmid for CIC Alpha Square 4%, LLC
Property Management Company: Royal Property Management Group, Inc.

Project Financing Information:

Bond Counsel: Quint & Thimmig LLP
Private Placement Purchaser: US Bank National Association
TEFRA Hearing Date: August 5, 2013

Description of Proposed Project:

State Ceiling Pool: General
Total Number of Units: 53 units
Type: New Construction
Type of Units: Family/Special Needs

The Alpha Square Apartments project is a mixed use new construction studio development with 203 units and 2 manager units in Downtown San Diego. The project will be vertically subdivided into two legal parcels to allow for a split in financing to utilize 9% low-income tax credits for 150 of the residential units and 4% low-income housing tax credits with bond allocation for 53 units. This project is for the 53 units. The project will consist of a single six-story building with a five story Type IIIA residential structure above a Type I ground floor concrete Podium deck. Unit amenities include air conditioning, refrigerator, blinds and a coat closet. The project will have a single level of subterranean parking. Priorities will be given to applicants of the project that have resided at the Hotel Metro, those displaced by redevelopment within the City of San Diego, and those that have experienced unsheltered homelessness.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (53 units) restricted to 50% or less of area median income households.
Unit Mix: Studio

No service amenities are required to be provided at this property.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 11,439,139	
Estimated Hard Costs per Unit:	\$ 99,108	(\$5,252,749 /53 units)
Estimated per Unit Cost:	\$ 215,833	(\$11,439,139 /53 units)
Allocation per Unit:	\$ 118,708	(\$6,291,527 /53 units)
Allocation per Restricted Rental Unit:	\$ 118,708	(\$6,291,527 /53 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 6,291,527	\$ 0
Developer Equity	\$ 1,180,419	\$ 780,136
Land Contribution	\$ 664,279	\$ 664,279
LIH Tax Credit Equity	\$ 438,277	\$ 4,382,774
Direct & Indirect Public Funds	\$ 2,747,313	\$ 5,494,626
Other (Accrued Soft Loan Interest)	\$ 117,324	\$ 117,324
Total Sources	\$ 11,439,139	\$ 11,439,139

Uses of Funds:	
Acquisition/Land Purchase	\$ 668,662
New Construction Costs	\$ 5,988,134
Relocation	\$
Architectural	\$ 261,833
Survey & Engineering	\$ 34,031
Contingency Costs	\$ 1,049,803
Construction Period Expenses	\$ 430,640
Permanent Financing Expenses	\$ 25,693
Legal Fees	\$ 246,716
Capitalized Reserves	\$ 419,774
Reports & Studies	\$ 29,870
Developer Costs	\$ 1,309,361
Other	\$ 974,622
Total Uses	\$ 11,439,139

Description of Financial Structure and Bond Issuance:

The tax-exempt bond allocation will be privately placed with US Bank, N.A. The bank has committed to provide the construction loan which will carry a fixed rate, based on LIBOR plus 1.75% for a period of 30 months. The tax-exempt bonds will be paid-off after construction. The project will be vertically subdivided into two legal parcels to allow for a split in financing structure utilizing 9% low-income tax credits for 150 of the residential units and 4% low-income housing tax credits with bond allocation for 53 units.

Analyst Comments:

It should be noted that the Project's development plan includes a loan from a former redevelopment agency. Based upon guidance from the Department of Finance, staff has determined that a Final & Conclusive Determination Letter, as per Section 5190 of the CDLAC Regulations, is not applicable in this case based upon current statute.

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: 87.5 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$6,291,527 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	35
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	0
Leveraging	10	10	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	7.5
Service Amenities	10	10	0
New Construction	10	10	10
Sustainable Building Methods	10	10	10
Negative Points	-10	-10	0
Total Points	130	100	87.5

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.