

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**July 16, 2014**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Richard Fischer*

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**Applicant:** Housing Authority of the City of San Diego

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**Allocation Amount Requested:**  
**Tax-exempt:** \$28,500,000

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**Project Information:**  
**Name:** Westminster Manor Apartments  
**Project Address:** 1730 Third Avenue  
**Project City, County, Zip Code:** San Diego, San Diego, 92101

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**Project Sponsor Information:**  
**Name:** Westminster Manor, LP (Westminster Manor of San Diego, Inc. and CIC Westminster Manor LLC)  
**Principals:** Ronald Wagar, Laurie Roeder, Norm Root and Karen Maczka for Westminster Manor of San Diego, Inc.; Cheri Hoffman, Lynn Harrington Schmid and James Schmid for CIC Westminster Manor LLC  
**Property Management Company:** ConAm

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**Project Financing Information:**  
**Bond Counsel:** Squire, Sanders & Dempsey L.L.P.  
**Underwriter:** Not Applicable  
**Credit Enhancement Provider:** Not Applicable  
**Private Placement Purchaser:** Union Bank N.A.  
**TEFRA Adoption Date:** February 25, 2014

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 150, plus 2 manager units  
**Type:** Acquisition and Rehabilitation  
**Type of Units:** Senior Citizens/Federally Assisted At-Risk

Westminster Manor (Project) contains one 16-story high-rise building containing 155 residential units. The building is located 1730 3rd Avenue, in the City and County of San Diego. The site is 0.31 acres or 13,325 square feet. The building is a poured in place concrete building and has a flat roofing system. The building offers 93 studio units and 62 one-bedroom units. Post renovation, the Project will continue to be income and tenant restricted, supported with tenant subsidies by two HUD Section 8 contracts for 121 units of the 155 units. Previously the remaining units were restricted to a 236 contract; however, the 236 loan expired in February 2012. Post renovation the Project will offer a total of 152 units as three units will be lost due to the expansion of the community room and office areas.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%

11% (16 units) restricted to 50% or less of area median income households.

89% (134 units) restricted to 60% or less of area median income households.

**Unit Mix:** Studio & 1 bedroom

There are no service amenities.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

<b>Estimated Total Development Cost:</b>	\$	55,247,899
<b>Estimated Hard Costs per Unit:</b>	\$	70,628 (\$10,594,148 /150 units)
<b>Estimated per Unit Cost:</b>	\$	368,319 (\$55,247,899 /150 units)
<b>Allocation per Unit:</b>	\$	190,000 (\$28,500,000 /150 units)
<b>Allocation per Restricted Rental Unit:</b>	\$	190,000 (\$28,500,000 /150 restricted units)

<b>Sources of Funds:</b>	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 28,500,000	\$ 12,891,906
Seller Note	\$ 22,196,140	\$ 22,196,140
Deferred Developer Fee	\$ 0	\$ 750,000
LIH Tax Credit Equity	\$ 50,000	\$ 17,454,930
Accrued Soft Loan Interest	\$ 1,168,176	\$ 1,168,176
Deferred Costs	\$ 2,546,836	\$ 0
Other (Existing Reserves)	\$ 786,748	\$ 786,748
<b>Total Sources</b>	<b>\$ 55,247,900</b>	<b>\$ 55,247,900</b>

<b>Uses of Funds:</b>	
Acquisition/Land Purchase	\$ 30,216,748
Rehabilitation Costs	\$ 12,077,329
Relocation	\$ 2,264,716
Architectural	\$ 378,386
Survey & Engineering	\$ 52,500
Contingency Costs	\$ 1,448,263
Construction Period Expenses	\$ 3,508,809
Permanent Financing Expenses	\$ 10,000
Legal Fees	\$ 295,000
Capitalized Reserves	\$ 923,474
Reports & Studies	\$ 83,595
Other	\$ 1,489,080
Developer Costs	\$ 2,500,000
<b>Total Uses</b>	<b>\$ 55,247,900</b>

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

This is a Housing Authority of the City of San Diego Private Placement Bond issuance with the bonds being purchased by Union Bank, N.A. During the construction loan period, the Borrower Loan bears interest at 65% of the 30-day LIBOR rate plus 1.85% (with no floor), computed on a three hundred sixty (360) day year but for the actual number of days outstanding. Interest only shall be payable monthly, in arrears, on the Borrower Loan. As of January 23, 2014, the indicative rate would be 1.95%. During the permanent loan period, the Tranche A portion of the Borrower Loan (described below) shall bear interest at a fixed rate. As of January 23, 2014, the indicative fixed rate would be 5.05%. The rate is subject to change due to market conditions until the interest rate is locked. Interest shall be computed on a 360 day year consisting of 12 thirty day months. Monthly principal and interest payments on the Tranche A portion of the Borrower Loan will be calculated upon conversion of the Borrower Loan from the construction loan period to the permanent loan period based upon the outstanding principal balance of the Borrower Loan as of the conversion date, the fixed interest rate on the swap and a 30-year amortization period. During the permanent loan period, the Tranche B portion of the Borrower Loan (described below) shall bear interest at a fixed rate. As of January 23, 2014, the indicative fixed rate would be 4.90%. The rate is subject to change due to market conditions until the interest rate is locked. Interest shall be computed on a 360 day year consisting of 12 thirty day months. Monthly principal and interest payments on the Tranche B portion of the Borrower Loan will be calculated upon conversion of the Borrower Loan from the construction loan period to the permanent loan period based upon the outstanding principal balance of the Borrower Loan as of the conversion date, the fixed interest rate on the swap and an amortization period coterminous with the term of the HAP contract assumed to be 20 years. At Loan Closing, the interest rate on the Borrower Loan during- the permanent loan period must be hedged with a forward starting interest rate swap acceptable to the Bank. As of January 23, 2014, the indicative swap rate from the Bank for a 22 month forward starting swap would be 5.05% on Tranche A and 4.90% on Tranche B comprised of a swap base rate plus 230 basis points. The rate is subject to change due to market conditions until the swap is confirmed. The Borrower Loan shall convert from its construction loan phase to its permanent loan phase on or before 22 months after the closing of the Borrower Loan ("Outside Conversion Date"). The principal balance of the Tranche A portion of the Borrower Loan and all accrued but unpaid interest thereon shall be due and payable fifteen (15) years from the Outside Conversion Date and the principal balance of the Tranche B portion of the Borrower Loan and all accrued but unpaid interest thereon shall be due and payable fifteen (15) years from the Outside Conversion Date (the "Maturity Date"). The Borrower may extend the Outside Conversion Date by three (3) months, subject to Borrower satisfying the following conditions (i) the rehabilitation of the Improvements have been completed, the Borrower Loan is "in balance", including the interest reserve for the extension period, no default or potential event of default has occurred, Borrower has paid Bank an extension fee of 0.25% of the Borrower Loan.

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**Analyst Comments:**

Not Applicable

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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:**

58 out of 130

[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$28,500,000 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	20
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]	0
Gross Rents	5	5	5
Large Family Units	5	5	0
Leveraging	10	10	0
Community Revitalization Area	15	15	0
Site Amenities	10	10	5
Service Amenities	10	10	0
New Construction	10	10	0
Sustainable Building Methods	10	10	3
Negative Points	-10	-10	0
<b>Total Points</b>	<b>130</b>	<b>110</b>	<b>58</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.