

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

December 10, 2014

REVISED

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: \$15,900,000

Project Information:
Name: Cielo Carmel Project II Apartments
Project Address: 6000 Block of Carmel Valley Road
Project City, County, Zip Code: San Diego, San Diego, 92130

Project Sponsor Information:
Name: Pacific Highlands Ranch, LP (AHG, Inc.; NEXUS for Affordable Housing; & R&V Management)
Principals: James Silverwood for AHG, Inc.; Gerry Ranglas for R&V Management; and Shane Dowan, Drew Lippert, Jim Reynolds and Tom Silber for NEXUS for Affordable Housing
Property Management Company: Solari Enterprises

Project Financing Information:
Bond Counsel: Stradling, Yocca, Carlson & Rauth
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Bank of America (constr.) / CCRC (perm.)
TEFRA Adoption Date: September 16, 2014

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 89, plus 1 manager unit
Type: New Construction
Type of Units: Family

The proposed project is Project II of a new construction development located in the City of San Diego. Affirmed Housing will build two projects totaling 197 affordable family apartments in San Diego's premier master planned community of Pacific Highlands Ranch in Carmel Valley, situated just north of Highway 56. This project, Cielo Carmel Project II, along with Cielo Carmel Project I, to be constructed sequentially one after the other, comprise the inclusionary (affordable) component of R&V Management Corporation's 23.95-acre, 476-unit apartment development in Pacific Highlands Ranch (PHR) Unit 13. Projects I and II will be constructed, successively as two legally separate projects; Project I on 5.945 acres (Lot 2), and Project II on 3.797 acres (Lot 1). This project, Project II, will feature two-story 12-plex buildings with 90 apartments, comprised of 15 one-bedrooms, 45 two-bedrooms, and 30 three-bedrooms. Project II is scheduled to start construction vertical construction in May of 2015 and complete construction in March of 2016.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
11% (10 units) restricted to 50% or less of area median income households.
89% (79 units) restricted to 60% or less of area median income households.
Unit Mix: 1, 2 & 3 bedrooms

There will be no service amenities included in the proposed project.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 21,499,954
Estimated Hard Costs per Unit: \$ 120,247 (\$10,702,000 /89 units)
Estimated per Unit Cost: \$ 241,573 (\$21,499,954 /89 units)
Allocation per Unit: \$ 178,652 (\$15,900,000 /89 units)
Allocation per Restricted Rental Unit: \$ 178,652 (\$15,900,000 /89 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 15,900,000	\$ 9,726,168
LIH Tax Credit Equity	\$ 4,385,598	\$ 9,745,774
Developer Equity	\$ 0	\$ 1,568,012
Other	\$ 1,214,356	\$ 460,000
Total Sources	\$ 21,499,954	\$ 21,499,954
Uses of Funds:		
On & Off Site Costs	\$ 1,090,000	
Hard Construction Costs	\$ 9,612,000	
Architect & Engineering Fees	\$ 483,000	
Contractor Overhead & Profit	\$ 297,000	
Developer Fee	\$ 2,500,000	
Cost of Issuance	\$ 115,000	
Capitalized Interest	\$ 196,160	
Other Soft Costs (Marketing, etc.)	\$ 7,206,794	
Total Uses	\$ 21,499,954	

Description of Financial Structure and Bond Issuance:

The financial structure of the proposed project will be a private placement transaction. Union Bank, N.A. is to be a direct lender of approximately \$15.9 million in construction financing. The term of the construction loan will be 24 months with an Interest rate that will be fixed during this period, which at the time of the commitment, was 1.85%. with a term of 24 months. The permanent loan amount shall not exceed \$9,726,168. The interest rate will be fixed at conversion, which at the time of application, was 4.70%. The term for the permanent period will be 15 years with an amortization period of 35 years. The tax credit investor will be Boston Capital. Affirmed Housing Group will provide a construction completion guaranty and repayment guaranty. The Bonds will be issued by the Housing Authority of the City of San Diego.

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: 56 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$15,900,000 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	26
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	0
Service Amenities	10	10	0
New Construction	10	10	10
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
Total Points	130	100	56

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.