

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**December 10, 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:** \$18,400,000

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**Project Information:**  
**Name:** Pacific Highlands Ranch Unit 24 Apartments  
**Project Address:** South of Carmel Valley Road  
**Project City, County, Zip Code:** San Diego, San Diego, 92130

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**Project Sponsor Information:**  
**Name:** Unit 24 CC, LP (Pacific Southwest Community Development Corporation and CIC Unit 24, LLC)  
**Principals:** Michael T. Walsh, Tony Reyes, Hank Cunningham, Tom Dubose and Robert W. Lang for Pacific Southwest Community Development Corporation and James J. Schmid, Cheri Hoffman, Charles A. Schmid and Lynn Harrington Schmid for CIC Unit 24, LLC  
**Property Management Company:** CIC Management, Inc.

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**Project Financing Information:**  
**Bond Counsel:** Orrick, Herrington & Sutcliffe LLP  
**Underwriter:** Not Applicable  
**Credit Enhancement Provider:** Not Applicable  
**Private Placement Purchaser:** Union Bank, N.A.  
**TEFRA Adoption Date:** October 14, 2014

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 95, plus 1 manager unit  
**Type:** New Construction  
**Type of Units:** Family

PHR Unit 24 will be a new construction affordable development targeting low-income family households in San Diego County at 50% and 60% AMI. The site will consist of 8 separate two-story construction type VB multi-unit buildings utilizing a California bungalow motif combined with Mediterranean features. In addition, a recreation center consisting of a swimming pool and recreation/community building will be provided on site. 96 units will be provided with distribution averages of 16 one-bedroom at 626 sq ft, 48 two-bedroom at 830 sq ft and 32 three-bedroom units at 1106 sq ft. Unit amenities include blinds, carpeting, central air conditioning, coat closet, built-in shelving, security locks, and walk-in closets. Each unit will be equipped with A/C, a frost-free refrigerator, oven, dishwasher, garbage disposal, cable, laundry hookups and a microwave. A leasing office and community recreation facility which will include a pool, barbecue and other outdoor amenities for the site and will provide a safe and secure environment through use of an electric limited-access gate along with perimeter fencing. Construction is expected to start in January 2015 and is expected to be completed by May 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% (85 units) restricted to 60% or less of area median income households.  
**Unit Mix:** 1, 2 & 3 bedrooms

There will be no service amenities.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

<b>Estimated Total Development Cost:</b>	\$	24,870,556	
<b>Estimated Hard Costs per Unit:</b>	\$	131,933	(\$12,533,624 /95 units)
<b>Estimated per Unit Cost:</b>	\$	261,795	(\$24,870,556 /95 units)
<b>Allocation per Unit:</b>	\$	193,684	(\$18,400,000 /95 units)
<b>Allocation per Restricted Rental Unit:</b>	\$	193,684	(\$18,400,000 /95 restricted units)

<b>Sources of Funds:</b>	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 18,400,000	\$ 9,630,000
Taxable Bond Proceeds	\$ 1,750,000	\$ 1,750,000
LIH Tax Credit Equity	\$ 1,603,500	\$ 10,689,711
Other	\$ 3,117,056	\$ 2,800,845
<b>Total Sources</b>	<b>\$ 24,870,556</b>	<b>\$ 24,870,556</b>

  

<b>Uses of Funds:</b>	
Acquisition/Land Purchase	\$ 1
On & Off Site Costs	\$ 3,294,195
Hard Construction Costs	\$ 9,239,429
Architect & Engineering Fees	\$ 640,000
Contractor Overhead & Profit	\$ 1,509,707
Developer Fee	\$ 2,500,000
Cost of Issuance	\$ 85,000
Capitalized Interest	\$ 557,537
Other Soft Costs (Marketing, etc.)	\$ 7,044,687
<b>Total Uses</b>	<b>\$ 24,870,556</b>

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

This is a Union Bank, N.A. Private Placement transaction with the Housing Authority of the City of San Diego issuing bonds. 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. The indicative rate would be 1.95%. During the permanent loan period, the Borrower Loan shall bear interest at 65% of the 30-day LIBOR rate plus 2.30%, computed on a three hundred sixty (360) day year but for the actual number of days outstanding. Monthly principal and interest payments will be calculated upon conversion of the Borrower Loan from the construction loan period (21 months) to the permanent loan period based upon the outstanding principal balance of the Borrower Loan as of the conversion date, the permanent loan interest rate and a 35 year amortization period. At Loan Closing, the interest rate on the Borrower Loan during the construction and permanent loan period must be hedged with a 21 month forward starting interest rate swap acceptable to Bank. The indicative swap rate from the Bank would be 4.85% comprised of a LIBOR-based swap base rate plus 230 basis points.

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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:** 57.5 out of 130

[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$18,400,000 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	0
Community Revitalization Area	15	15	0
Site Amenities	10	10	2.5
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>57.5</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.