

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 16, 2016
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Richard Fischer

Applicant: Housing Authority of the City of San Diego

Allocation Amount Requested:
Tax-exempt: \$48,756,000

Project Information:
Name: Vista La Rosa Apartments
Project Address: 2002 Rimbey Avenue
Project City, County, Zip Code: San Diego, San Diego, 92154

Project Sponsor Information:
Name: Standard VLR Venture, L.P. (Standard VLR Manager LP and Housing on Merit II LLC)
Principals: Jeffrey Jaeger and Scott Alter for Standard VLR Manager LP; Jennifer Litwak for Housing on Merit II LLC.
Property Management Company: Apartment Management Consultants, LLC

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, N.A.
TEFRA Noticing Date: December 1, 2015
TEFRA Adoption Date: January 4, 2016

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 238, plus 2 manager units
Type: Acquisition and Rehabilitation
Type of Units: Family

Vista La Rosa Apartments is an existing 240-unit, garden-style affordable apartment complex located at 2002 Rimbey Avenue, San Diego, CA 92154 (the "Project"). The Project is situated on approximately 8.5 acres of land and was constructed in 1970. There are a total of 19 low-rise apartment buildings at the Project, comprised of 2 and 3 bedroom units with an average square feet of 910 and 1,100 respectively, totaling approximately 217,177 net rentable square feet. Unit amenities include refrigerators, ranges/stoves, carpeting, window coverings, and gas furnaces for heat. Common area amenities include 5 common laundry facilities, 5 children's playgrounds, an outdoor swimming pool, a basketball court, and a clubhouse building adjacent to the leasing office. Renovations are projected to take place over a 9 month period and are expected to commence by April 2015. The renovations will include unit upgrades in the bathrooms and kitchens consisting of some combination of new flooring, Energy-Star appliances, cabinetry, countertops, light fixtures, and paint. All interior renovations will allow for tenants to remain in place. The units will maintain full functionality, including all utilities. The exterior of the building will receive a facelift that will enhance the curb appeal of the Project. Other common area renovations will include updates to the community room, leasing office, landscaping, property signage, pool area, laundry facilities, and playground. Lastly, roof system updates are also part of the planned renovations.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

10% (24 units) restricted to 50% or less of area median income households.

90% (214 units) restricted to 60% or less of area median income households.

Unit Mix: 2 & 3 bedrooms

The proposed project will not be providing service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 74,395,751	
Estimated Hard Costs per Unit:	\$ 27,151	(\$6,461,862 /238 units)
Estimated per Unit Cost:	\$ 312,587	(\$74,395,751 /238 units)
Allocation per Unit:	\$ 204,857	(\$48,756,000 /238 units)
Allocation per Restricted Rental Unit:	\$ 204,857	(\$48,756,000 /238 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 48,756,000	\$ 48,756,000
LIH Tax Credit Equity	\$ 21,170,830	\$ 21,170,830
Developer Equity	\$ 4,468,741	\$ 4,468,741
Total Sources	\$ 74,395,571	\$ 74,395,571

Uses of Funds:	
Land Cost/Acquisition	\$ 53,300,000
Rehabilitation	\$ 6,526,275
Architectural Fees	\$ 196,500
Permanent Financing	\$ 2,958,558
Legal Fees	\$ 275,000
Reserves	\$ 1,945,174
Appraisal	\$ 10,000
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 917,694
Developer Costs	\$ 8,266,370
Total Uses	\$ 74,395,571

Description of Financial Structure and Bond Issuance:

This is a Housing Authority of the City of San Diego private placement bond issuance funded by Citibank, N.A.. During the construction financing phase the loan term will be for 24 months with a fixed interest rate estimated at 4.30%. During the permanent financing phase, the loan term will be for 15 years with an amortization period of 35 years at a fixed rate of 4.30% .

Analyst Comments:

None

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: 57.5 out of 140

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$48,756,000 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
Preservation Project	20	20	20
Exceeding Minimum Income Restrictions:	35	15	25
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	0
Gross Rents	5	5	5
Large Family Units	5	5	0
Leveraging	10	10	0
Community Revitalization Area	5	5	0
Site Amenities	10	10	7.5
Service Amenities	10	10	0
New Construction or Substantial Renovation	10	10	0
Sustainable Building Methods	10	10	0
Forgone Eligible Developer Fee (Competitive Allocation Process Only)	10	10	0
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	0
Negative Points (No Maximum)	-10	-10	0
Total Points	140	110	57.5

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.