

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
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Allocation Amount Requested:

Tax-exempt: \$21,400,000

Project Information:

Name: Mesa Verde Apartments
Project Address: 7811 Mission Gorge Road
Project City, County, Zip Code: San Diego, San Diego, 92120

Project Sponsor Information:

Name: Mesa Verde CIC, L.P. (Southern Claifornia Housing Collaborative & CIC Mesa Verde, LLC)
Principals: Michael McSweeney, Jim Neil and Nathan E. Schmid for Southern California Housing Collaborative; James J. Schmid, Cheri Hoffman, Charles A. Schmid, and Lynn Schmid for CIC Mesa Verde, LLC
Property Management Company: CIC Management, Inc.

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: 89, plus 1 manager unit
Type: New Construction
Type of Units: Family

Mesa Verde (“Project”) will be a new construction family affordable housing development comprised of ninety (90) residential units in a 3-story Type V wood frame structure above a subterranean parking garage. The residential building will contain a total of three (3) studio units, twenty four (24) one-bedroom units, thirty six (36) two-bedroom units and twenty seven (27) three-bedroom units. One (1) three-bedroom unit will be reserved for an onsite manager. The units will having parking at a ratio of 1.62 spaces per 1 residential unit in accordance with the City of San Diego Affordable Housing Parking Ordinance standards for a development in a high demand parking area. The one hundred thirty nine (139) parking spaces will be comprised of twenty five (25) surface parking spaces and the one hundred fourteen (114) spaces in the subterranean parking garage. The project will have 9 ADA and 5 audio/visual impaired units. Unit amenities include blinds, hard surface flooring, 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, stove/ oven, dishwasher, garbage disposal, cable, laundry hookups and a microwave. The Project will provide a 1,600 square foot community room including an onsite management office, multipurpose room, community kitchen, and laundry facility and computer lab. There will be a ½ size basketball court incorporated with amenities tailored to fit the proposed population. Onsite services will be provided to the residents free of charge and administered in the multipurpose room. Construction is expected to start in June 2016 and is expected to be completed by September 2017.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

10% (9 units) restricted to 50% or less of area median income households.

90% (80 units) restricted to 60% or less of area median income households.

Unit Mix: Studio, 1, 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:	\$	33,100,577	
Estimated Hard Costs per Unit:	\$	186,941	(\$16,637,753 /89 units)
Estimated per Unit Cost:	\$	371,917	(\$33,100,577 /89 units)
Allocation per Unit:	\$	240,449	(\$21,400,000 /89 units)
Allocation per Restricted Rental Unit:	\$	240,449	(\$21,400,000 /89 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 21,400,000	\$ 7,436,000
Citibank Sub Loan	\$ 0	\$ 1,800,000
LIH Tax Credit Equity	\$ 774,457	\$ 11,849,534
Solar Tax Credit Equity	\$ 0	\$ 119,700
Deferred Developer Fees & Costs	\$ 1,555,380	\$ 2,044,603
SDHC Loan & Interest	\$ 9,370,740	\$ 9,850,740
Total Sources	\$ 33,100,577	\$ 33,100,577

Uses of Funds:	
Land Cost/Acquisition	\$ 6,605,000
Relocation	\$ 595,500
New Construction	\$ 16,637,753
Architectural Fees	\$ 477,136
Permanent Financing	\$ 1,582,334
Legal Fees	\$ 277,500
Reserves	\$ 242,423
Appraisal	\$ 12,500
Contingencies	\$ 1,006,888
Local Development Impact Fees	\$ 1,547,672
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 855,439
Developer Costs	\$ 3,260,432
Total Uses	\$ 33,100,577

Description of Financial Structure and Bond Issuance:

This is a Housing Authority of the City of San Diego project, privately placed and funded by Citibank, N.A. During the construction financing phase the loan term will be for 24 months with a variable interest rate equal to the sum of the one month LIBOR plus a spread of 1.80%, for an all in rate of 1.97%. During the permanent financing phase, the loan term will be for 15 years with an amortization period of 35 years at a fixed rate equal to the sum of the 18 year LIBOR Swap Index plus a spread of 1.90%, which at the time of application was 2.50% with an all-in rate of 4.40%.

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: 79 out of 140
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$21,400,000 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	0
Exceeding Minimum Income Restrictions:	35	15	25
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	10
Gross Rents	5	5	5
Large Family Units	5	5	5
Leveraging	10	10	10
Community Revitalization Area	5	5	0
Site Amenities	10	10	5
Service Amenities	10	10	0
New Construction or Substantial Renovation	10	10	10
Sustainable Building Methods	10	10	9
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	120	79

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.