

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 18, 2011
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Crystal Alvarez

Applicant: Housing Authority of the City of San Diego

Allocation Amount Requested:
Tax-exempt: \$4,000,000

Project Information:
Name: Terramar Apartments
Project Address: 13481 to 13483 Silver Ivy Lane
Project City, County, Zip Code: San Diego, San Diego, 92129

Project Sponsor Information:
Name: Terramar CIC, L.P. (Pacific Southwest Development Corporation and Chelsea Investment Corporation Terramar, LLC)
Principals: Michael T. Walsh, Tony Reyes and Robert W. Laing for PSDC; James J. Schmid and Lynn H. Schmid for CIC Terramar, LLC

Project Financing Information:
Bond Counsel: Quint & Thimmig LLP
Private Placement Purchaser: U.S. Bank
TEFRA Hearing Date: March 1, 2011

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 20, plus 1 manager's unit
Type: New Construction
Type of Units: Family

Terramar Apartments is a proposed new construction development to be located on the 13400 Block of Silver Ivy Lane in San Diego. The site is 1.197 acres located on one parcel. Adjoining land uses consist of single-family homes to the north, east and south. To the west, across Camino del Sur, is the Westview High School.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
25% (5 units) restricted to 50% or less of area median income households.
75% (15 units) restricted to 60% or less of area median income households.
Unit Mix: 1, 2 & 3 bedrooms

The subject consist of a total of 21 units; 4 one-bedroom, 10 two-bedroom and 7 three-bedrooms. One of the three-bedroom units will be a non-revenue producing manager's unit.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	7,684,186	
Estimated Hard Costs per Unit:	\$	151,533	(\$3,030,650 /20 units)
Estimated per Unit Cost:	\$	384,209	(\$7,684,186 /20 units)
Allocation per Unit:	\$	200,000	(\$4,000,000 /20 units)
Allocation per Restricted Rental Unit:	\$	200,000	(\$4,000,000 /20 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 4,000,000	\$ 1,194,000
Deferred Developer Fee	\$ 0	\$ 19,447
LIH Tax Credit Equity	\$ 200,000	\$ 2,935,738
Direct & Indirect Public Funds	\$ 1,795,000	\$ 2,035,000
Master Developer Contribution	\$ 876,500	\$ 1,500,000
Total Sources	\$ 6,871,500	\$ 7,684,185

Uses of Funds:	
Acquisition	\$ 5,100
New Construction Costs	\$ 3,353,509
Architectural	\$ 212,000
Survey & Engineering	\$ 122,500
Contingency Costs	\$ 376,562
Construction Period Expenses	\$ 261,647
Permanent Financing Expenses	\$ 59,144
Legal Fees	\$ 170,000
Capitalized Reserves	\$ 50,719
Reports & Studies	\$ 26,000
Other (Marketing, etc)	\$ 2,076,697
Developer Costs	\$ 970,307
Total Uses	\$ 7,684,185

Description of Financial Structure and Bond Issuance:

The tax-exempt bonds will be privately placed with U.S. Bank National Association. The construction loan period will be for a term of 18 months with a variable rate of LIBOR plus 300 basis points. The permanent loan will be financed at CIP plus 250 basis points with a fixed rate for 15 years and a 30 year amortization. The City of San Diego Housing Authority will provide a \$2,000,000 loan at 3% interest rate with a 50 percent residual receipts loan payment for a term of 55 years.

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: 76 out of 118

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$4,000,000 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	0
Exceeding Minimum Income Restrictions:	35	15	33
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	0
Large Family Units	5	5	5
Leveraging	10	10	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	5
Service Amenities	10	10	0
New Construction	10	10	10
Sustainable Building Methods	8	8	3
Negative Points	-10	-10	0
Total Points	118	98	76

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.