

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 18, 2012
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Narisha Bonakdar

Applicant: Housing Authority of the City of San Diego

Allocation Amount Requested:
Tax-exempt: \$5,500,000

Project Information:
Name: Knox Glen Townhome Apartments
Project Address: 4720-4770 Logan Ave
Project City, County, Zip Code: San Diego, San Diego, 92113

Project Sponsor Information:
Name: Logan Development II, LP (Housing Development Partners of San Diego)
Principals: Housing Development Partners: Richard Gentry, Sal Salas, Roberta Spoon, Gary Grambling, and Robert Henderson
Property Management Company: Hyder Property Management Professionals

Project Financing Information:
Bond Counsel: Quint & Thimmig LLP
Underwriter: Centerline Capital, Inc.
Credit Enhancement Provider: Centerline Capital, Inc.
TEFRA Hearing Date: May 8, 2012

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 53, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

Knox Glen Townhomes is an existing acquisition and rehabilitation property with 54 units on 3.2 acres in Southeast San Diego. It consists of nine two-bedroom units, 30 three-bedroom units, and 14 four-bedroom units. The current regulatory agreement restricts 45 percent of the units (24 units) to 50 percent of Area Median Income (AMI) and the remaining 29 units to 60 percent of AMI. The property was originally constructed in 1996 and contains 16 garden-style residential buildings and two common area buildings. The rehabilitation will address the immediate physical needs of the property, lower operating costs, and improve energy efficiency. It is expected to begin in October 2012 and be completed by October 2013. The rehabilitation will require temporary relocation of tenants (approximately one week per unit). A consultant will arrange for accommodations, transportation, and moving activities during the displacement.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
45% (24 units) restricted to 50% or less of area median income households.
55% (29 units) restricted to 60% or less of area median income households.
Unit Mix: 2, 3 & 4 bedrooms

The project does not include any service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

| | | | |
|---|----|------------|------------------------------------|
| Estimated Total Development Cost: | \$ | 10,619,592 | |
| Estimated Hard Costs per Unit: | \$ | 38,649 | (\$2,048,390 /53 units) |
| Estimated per Unit Cost: | \$ | 200,370 | (\$10,619,592 /53 units) |
| Allocation per Unit: | \$ | 103,774 | (\$5,500,000 /53 units) |
| Allocation per Restricted Rental Unit: | \$ | 103,774 | (\$5,500,000 /53 restricted units) |

| Sources of Funds: | Construction | Permanent |
|--------------------------------|----------------------|----------------------|
| Tax-Exempt Bond Proceeds | \$ 5,500,000 | \$ 3,619,263 |
| Taxable Bond Proceeds | \$ 87,000 | \$ 87,000 |
| Deferred Developer Fee | \$ 720,243 | \$ 720,243 |
| LIH Tax Credit Equity | \$ 1,817,741 | \$ 3,029,569 |
| Direct & Indirect Public Funds | \$ 2,839,674 | \$ 2,839,674 |
| Other: NOI | \$ 323,842 | \$ 323,842 |
| Total Sources | \$ 11,288,500 | \$ 10,619,591 |

| Uses of Funds: | |
|------------------------------------|----------------------|
| Acquisition/Land Purchase | \$ 4,900,000 |
| Hard Construction Costs | \$ 2,048,391 |
| Architect & Engineering Fees | \$ 135,954 |
| Contractor Overhead & Profit | \$ 1,147,850 |
| Developer Fee | \$ 275,000 |
| Relocation | \$ 373,580 |
| Cost of Issuance | \$ 323,824 |
| Other Soft Costs (Marketing, etc.) | \$ 1,256,094 |
| Total Uses | \$ 10,460,693 |

Description of Financial Structure and Bond Issuance:

Centerline Capital, Inc. will provide a credit enhancement with a forward commitment from Fannie Mae. Centerline will act as the lead lender and placement agent and Fannie Mae will be the bond purchaser. The proceeds from the purchase of the \$5,500,000 in tax-exempt bonds will pay off and replace the existing loan and will finance the rehabilitation. The interest rate on the tax-exempt bond debt is estimated to be 5.17%. The loan will have a 17-year term with a 35-year amortization. The existing San Diego Housing Commission and Southeastern Economic Development Corporation loans will be assumed by the new tax credit partnership upon closing as per the executed Assignment and Assumption.

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: 72.5 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$5,500,000 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 | 35 |
| 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 | 10 |
| Community Revitalization Area | 15 | 15 | 0 |
| Site Amenities | 10 | 10 | 7.5 |
| Service Amenities | 10 | 10 | 0 |
| New Construction | 10 | 10 | 0 |
| Sustainable Building Methods | 10 | 10 | 0 |
| Negative Points | -10 | -10 | 0 |
| Total Points | 130 | 100 | 72.5 |

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.