

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
September 26, 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: \$23,000,000

Project Information:
Name: 9th & Broadway
Project Address: SE Corner of 9th Ave and Broadway
Project City, County, Zip Code: San Diego, San Diego, 92101

Project Sponsor Information:
Name: Broadway Upper Tower Associates, L.P.
Principals: Cynthia Parker, Susan M Johnson, D, Kemp Valentaine, Rebecca Hlebasko, Kimberly McCay (BRIDGE SC, LLC & BRIDGE Regional Partners)
Property Management Company: BRIDGE Property Management Company

Project Financing Information:
Bond Counsel: Quint & Thimmig LLP
Private Placement Purchaser: US Bank, N.A.
TEFRA Hearing Date: July 12, 2012

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 120, plus 1 manager unit
Type: New Construction
Type of Units: Family

9th & Broadway Apartments is a proposed 120-unit mixed-use development located in downtown San Diego. It will consist of 60 studio units and 60 one-bedroom units on .57 acres. All of the units will be income-restricted to households earning between 40 and 60 percent of Area Median Income. Each unit will include standard appliances. The property will include a community room, laundry facilities, and an outdoor terrace. 9th & Broadway will be designed to meet LEED Silver criteria and will include a photovoltaic system.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
41% (49 units) restricted to 50% or less of area median income households.
59% (71 units) restricted to 60% or less of area median income households.
Unit Mix: Studio & 1 bedroom

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 39,693,289
Estimated Hard Costs per Unit: \$ 186,343 (\$22,361,158 /120 units)
Estimated per Unit Cost: \$ 330,777 (\$39,693,289 /120 units)
Allocation per Unit: \$ 191,667 (\$23,000,000 /120 units)
Allocation per Restricted Rental Unit: \$ 191,667 (\$23,000,000 /120 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 23,000,000	\$ 1,595,000
Developer Equity	\$ 0	\$ 700,000
LIH Tax Credit Equity	\$ 600,000	\$ 16,667,839
Direct & Indirect Public Funds	\$ 15,230,450	\$ 20,730,450
Total Sources	<u>\$ 38,830,450</u>	<u>\$ 39,693,289</u>

Uses of Funds:	
Acquisition/Land Purchase	\$ 1,851,537
On & Off Site Costs	\$ 775,202
Hard Construction Costs	\$ 21,585,956
Architect & Engineering Fees	\$ 1,556,720
Contractor Overhead & Profit	\$ 2,856,073
Developer Fee	\$ 2,500,000
Cost of Issuance	\$ 492,750
Capitalized Interest	\$ 1,013,025
Other Soft Costs (Marketing, etc.)	\$ 7,062,026
Total Uses	<u>\$ 39,693,289</u>

Description of Financial Structure and Bond Issuance:

US Bank, N.A. will provide a private placement of tax-exempt private activity bonds in the amount of \$23,000,000 that will serve as both the construction and permanent loans. The construction loan term will be 30 months and will carry a variable interest rate equal to the one-month LIBOR rate plus 150 basis points. The permanent loan will be at a fixed rate based on US Bank's Community Investment Pricing plus a cost adjustment for the 30-month forward commitment and a 10% prepay with an adjustment for tax exempt interest. It will have a 15-year term and 15-year amortization.

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: 100 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$23,000,000 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	
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	0
Leveraging	10	10	10
Community Revitalization Area	15	15	10
Site Amenities	10	10	10
Service Amenities	10	10	0
New Construction	10	10	10
Sustainable Building Methods	10	10	10
Negative Points	-10	-10	0
Total Points	130	100	100

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.