

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 13, 2013
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: \$700,000

The amount of allocation requested is supplemental to the \$28,000,000 of allocation the Project received on September 26, 2012.

Project Information:

Name: COMM22 Family Housing Apartments
Project Address: SE Corner, Commercial Street and 22nd Street
Project City, County, Zip Code: San Diego, San Diego, 92113

Project Sponsor Information:

Name: COMM22 Family Housing, LP (COMM22 Housing GP, LLC)
Principals: For COMM22 Housing GP, LLC: Cynthia Parker, Susan M. Johnson, Kemp Valentine, Rebecca V. Hlebasko, Rick Holliday, and Ronald Nahas
Property Management Company: BRIDGE Property Management Company

Project Financing Information:

Bond Counsel: Stradling, Yocca, Carlson & Rauth
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Bank of America, N.A.
TEFRA Hearing Date: July 10, 2012

Description of Proposed Project:

State Ceiling Pool: General
Total Number of Units: 128, plus 2 manager units
Type: New Construction
Type of Units: Family

The COMM22 Family Housing Apartments is a mixed-use transit oriented development combining family and senior rental housing. The Project is situated on 4.04 acres of land on the southern side of Commercial Street, between 21st Street and Harrison Avenue. There will be 2 buildings, each containing 4 levels of housing over a two-level subterranean parking garage. There will be 128 affordable rental units and 2 manager units. Thirteen (13) of the total units will be special needs units reserved for the Transition Age Youth population. All units will feature a stove, range, dishwasher, and full size refrigerator. Community amenities include shared laundry, secure access, a community room with kitchen, underground parking, and a courtyard for resident use.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
78% (100 units) restricted to 50% or less of area median income households.
22% (28 units) restricted to 60% or less of area median income households.
Unit Mix: 1, 2 & 3 bedrooms

Service amenities will not be offered.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 57,125,409	
Estimated Hard Costs per Unit:	\$ 319,073	(\$40,841,336 /128 units)
Estimated per Unit Cost:	\$ 446,292	(\$57,125,409 /128 units)
Allocation per Unit:	\$ 5,469	(\$700,000 /128 units)
Allocation per Restricted Rental Unit:	\$ 5,469	(\$700,000 /128 restricted units)

The Project has total project costs that appear high for the geographic area in which it is located. According to the Project sponsor, the high cost is due to infrastructure improvements. The Project will be built on an urban infill, brownfield site in San Diego. The site is a former school district maintenance yard. In order to make the site suitable for development, a street will be closed to join two separate parcels, requiring the relocation of various utilities (sewer, storm drain, water, electric, gas, and phone). In addition, removal of contaminated soils is required and the project includes two levels of subterranean parking. The project was approved by the City of San Diego conditioned upon making these infrastructure improvements. The addition of these costs is the reason the project's overall cost exceeds the CDLAC threshold.

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 28,700,000	\$ 3,725,000
Developer Equity	\$ 158,106	\$ 646,520
LIH Tax Credit Equity	\$ 1,732,889	\$ 20,815,759
Direct & Indirect Public Funds	\$ 24,788,130	\$ 31,938,130
Total Sources	\$ 55,379,125	\$ 57,125,409
Uses of Funds:		
Acquisition/Land Purchase	\$ 240,449	
On & Off Site Costs	\$ 8,038,979	
Hard Construction Costs	\$ 29,461,652	
Architect & Engineering Fees	\$ 2,914,400	
Contractor Overhead & Profit	\$ 4,424,095	
Developer Fee	\$ 2,500,000	
Cost of Issuance	\$ 553,795	
Capitalized Interest	\$ 1,558,956	
Other Soft Costs (Marketing, etc.)	\$ 7,433,083	
Total Uses	\$ 57,125,409	

Description of Financial Structure and Bond Issuance:

The tax exempt bond allocation will be privately placed with Bank of America, N.A. The construction period fund loan will carry a fluctuating rate of interest equal to the BBA LIBOR Daily Floating Rate plus 1.55% per annum if the Bank is the tax credit equity investor. The rate if determined today would be 1.78%. The construction terms is for 24 months. The permanent period loan rate will be calculated on a 30/360 day basis. If the Bank is the tax credit investor, the fixed rate will be based upon the 30 Year Interest Rate Swap Rate, as provided by the Board of Governors of the Federal Reserve System, plus 247 basis points. The rate if determined today would be 4.90%. The amortization period and maturity date of the bonds is 25 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.

Recommendation:

Staff recommends that the Committee approve \$700,000 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	0
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	10	10	8
Negative Points	-10	-10	0
Total Points	130	100	83

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.