

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
November 13, 2013
Staff Report
*REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT*

Prepared by: Sarah Lester

Applicant: Housing Authority of the City of San Diego

Allocation Amount Requested:
Tax-exempt: \$16,500,000

Project Information:
Name: Fairbanks Square Apartments
Project Address: Northeast corner of Potomac Ridge Road and Nighthawk Lane
Project City, County, Zip Code: San Diego, San Diego, 92127

Project Sponsor Information:
Name: Fairbanks Square CIC, LP (Pacific Southwest Development Corporation and CIC Fairbanks Square, LLC)
Principals: Tony Reyes and Robert W. Laing for Pacific Southwest Community Development Corporation; Cheri Hoffman, Lynn Harrington Schmid and James Schmid for CIC Fairbanks
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 Hearing Date: July 9, 2013

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 98, plus 2 manager units
Type: New Construction
Type of Units: Senior Citizens

The proposed project is a new construction senior LIHTC rental development located in the City of San Diego. The site area is approximately 117,612 square feet or 2.70 acres and will consist of two (2), two -story elevator-served buildings and will contain 100 one- and two-bedroom units including two (2), two-bedroom non-revenue generating manager units. The proposed rents will be set at 50 and 60 percent of the Area Median Income levels and be restricted to target income-qualified one and two person senior households ages 55 and older. The buildings will be wood frame construction with a stucco, metal siding, and masonry veneer. The units will include blinds, carpeting, central heating and air conditioning, exterior storage, and coat closets. Appliances will include a refrigerator, dishwasher, oven, microwave, and garbage disposal. Site amenities will include a clubhouse, computer lab, courtyard, central laundry area, on-site management, and elevators. There will be 106 total parking spaces. There will be no additional charge to the tenants for parking. The anticipated date of market entry is January 2015.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

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

90% (88 units) restricted to 60% or less of area median income households.

Unit Mix: 1 & 2 bedrooms

The proposed project will provide instructor-led educational, health and wellness or skill building classes for a minimum of 84 hours per year; and also health and wellness services and programs for individualized support for tenants (not group classes) for a minimum of 100 hours per year.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 27,160,066	
Estimated Hard Costs per Unit:	\$ 84,219	(\$8,253,478 /98 units)
Estimated per Unit Cost:	\$ 277,144	(\$27,160,066 /98 units)
Allocation per Unit:	\$ 168,367	(\$16,500,000 /98 units)
Allocation per Restricted Rental Unit:	\$ 168,367	(\$16,500,000 /98 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 16,500,000	\$ 7,720,000
Master Developer Note & FBA Fees	\$ 7,288,134	\$ 7,288,134
Deferred Costs	\$ 2,281,631	\$ 0
Deferred Developer Fee	\$ 0	\$ 1,249,341
LIH Tax Credit Equity	\$ 1,090,300	\$ 10,902,591
Total Sources	\$ 27,160,065	\$ 27,160,066

Uses of Funds:	
Acquisition/Land Purchase	\$ 8,686,534
New Construction Costs	\$ 9,408,965
Architectural	\$ 480,000
Survey & Engineering	\$ 120,000
Contingency Costs	\$ 612,674
Construction Period Expenses	\$ 1,467,771
Permanent Financing Expenses	\$ 186,000
Legal Fees	\$ 205,000
Capitalized Reserves	\$ 236,217
Reports & Studies	\$ 27,000
Developer Costs	\$ 2,500,000
Other	\$ 3,229,904
Total Uses	\$ 27,160,065

Description of Financial Structure and Bond Issuance:

The proposed project will be a private placement transaction provided by Citibank, N.A. During the construction phase, the bonds shall bear interest at a variable rate of SIFMA plus 225 bps. The construction period will be for 24 months with one 6-month extension option. At the permanent financing phase, the bonds shall bear a fixed rate equal to the sum of 18-year maturity "AAA" bond rates as published by Thompson Municipal Market Monitor ("MMD") plus a spread of 2.45%. The permanent loan term will be for 15 years with an amortized period of 35 years. A subordinate series of bonds in the amount of \$850,000 will be purchased by CIC Opportunities Fund I, LLC, a private equity group, that will be payable only from available cash flow. The bonds will have a 9.50% interest rate during construction, 7.50% interest rate upon conversion for 1-15 and then have an interest rate of 8.50% from years 16-35. The bonds will be issued by the Housing Authority of the City of San Diego.

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: 62.5 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$16,500,000 in tax exempt bond allocation on a carryforward basis.

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	25
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	0
Community Revitalization Area	15	15	0
Site Amenities	10	10	2.5
Service Amenities	10	10	10
New Construction	10	10	10
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
Total Points	130	100	62.5

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.