

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 16, 2014
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 San Diego

Allocation Amount Requested:
Tax-exempt: \$8,000,000

Project Information:
Name: Willie James Jones Apartments
Project Address: 327 & 405 S. Willie James Jones Avenue
Project City, County, Zip Code: San Diego, San Diego, 92113

Project Sponsor Information:
Name: WJJ CIC, LP (Southern California Housing Collaborative and CIC WJJ, LLC)
Principals: Nathan Schmid, Michael McSweeney, Jim Neil and Robert McMahon for Southern California Housing Collaborative; Cheri Hoffman, Lynn Harrington Schmid and James Schmid for CIC WJJ, LLC
Property Management Company: CIC Management, Inc.

Project Financing Information:
Bond Counsel: Jones Hall, A Professional Law Corporation
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, N.A.
TEFRA Adopted Date: April 2, 2014

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 31, plus 1 manager unit
Type: New Construction
Type of Units: Family

The project is a proposed new construction family development that will consist of three 3-story townhome style buildings located in the City of San Diego. The site is currently vacant and is 43,060 square feet in size. The project will consist of 31 restricted rental units and one (1) manager's unit and target income-qualified households levels at 30%-60% of the area median income and ranging in size from three to six persons, with the exception of the 4-bedroom manager's unit. Twenty-five of the restricted units will be restricted to families with a developmentally disabled family member. The projected construction start date is June 2014 with an anticipated completion date of March 2015.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
90% (28 units) restricted to 50% or less of area median income households.
10% (3 units) restricted to 60% or less of area median income households.
Unit Mix: 3 & 4 bedrooms

There will be no service amenities provided for the proposed project.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 13,737,928
Estimated Hard Costs per Unit: \$ 212,889 (\$6,599,548 /31 units)
Estimated per Unit Cost: \$ 443,159 (\$13,737,928 /31 units)
Allocation per Unit: \$ 258,065 (\$8,000,000 /31 units)
Allocation per Restricted Rental Unit: \$ 258,065 (\$8,000,000 /31 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 1) State prevailing wage; 2) All units are 3 & 4 bedroom units; and 3) Small Urban infill density site.

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 8,000,000	\$ 643,760
MHP	\$ 0	\$ 3,140,339
Infill Infrastructure Grant	\$ 1,629,680	\$ 1,629,680
SDHC Loan	\$ 2,500,000	\$ 2,500,000
Deferred Developer Fee	\$ 0	\$ 359,931
Seller Note	\$ 328,255	\$ 328,255
Accrued Soft Loan Interest	\$ 235,233	\$ 235,233
Deferred Costs	\$ 321,568	\$ 0
GP Capital Contribution	\$ 0	\$ 79,449
LIH Tax Credit Equity	\$ 723,192	\$ 4,821,281
Total Sources	\$ 13,737,928	\$ 13,737,928
Uses of Funds:		
Acquisition/Land Purchase	\$ 2,138,255	
New Construction Costs	\$ 7,523,485	
Architectural	\$ 58,000	
Survey & Engineering	\$ 55,000	
Contingency Costs	\$ 425,855	
Construction Period Expenses	\$ 817,482	
Permanent Financing Expenses	\$ 10,000	
Legal Fees	\$ 232,500	
Capitalized Reserves	\$ 146,711	
Reports & Studies	\$ 40,000	
Development Costs	\$ 1,479,448	
Other	\$ 811,192	
Total Uses	\$ 13,737,928	

Description of Financial Structure and Bond Issuance:

The financial structure for the proposed project will be a private placement transaction provided by Citibank, N.A. (the "Bank") for both construction and permanent financing. During the construction phase, the loan term will be for 18 months with two 6-month extension options. The interest rate will be based on the One month LIBOR plus 2% spread estimated to be 3.15%. During the permanent financing phase, the loan term and amortization period will be for 15 years with two 6-month options to extend. The interest rate is estimated to be 6.5%. 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: 80 out of 130
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$8,000,000 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	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	5
Service Amenities	10	10	0
New Construction	10	10	10
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
Total Points	130	100	80

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.