Agenda Item No. 7.14
Application No. 15-337

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 20, 2015
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: $9,959,732

Project Information:

Name: **Mayberry Apartments**
Project Address: 4328 - 7370 & 4490 Mayberry Street
Project City, County, Zip Code: San Diego, San Diego, 92113

Project Sponsor Information:

Name: Mountain View Housing Associates, LP (Alta Vista Townhomes, LLC)
Principals: Susan M. Reynolds and Anne B. Wilson
Property Management Company: ConAm Management Corporation

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 Adopted Date: March 10, 2015

Description of Proposed Project:

State Ceiling Pool: General
Total Number of Units: 69, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

Mayberry Apartments is a 30 year old development consisting of 70 units on a 2.97 acre gently rising site in the City of San Diego, CA. This site includes 18 two-story buildings of two and three bedroom townhomes. 57 units will be restricted to low-income families earning no more than 60% of Area Median Income (AMI). There will be 12 market rate units and a single two-bedroom manager's unit. The existing resident base has approximately 2/3 families and 1/3 seniors. It is anticipated that 90% of the residents will remain living in the apartments post-rehabilitation. Residential improvements will include new cabinets, countertops, Energy Star appliances, bathroom appliances, interior flooring, hard-wired smoke detectors, new energy efficient windows, and energy efficient lighting. Use of carpeting will be reduced, in keeping with best practices to reduce allergens in the home. A solar photovoltaic system that offsets tenant use will also be purchased. The residential upgrades are meant to maximize energy efficiency and sustainable building practices, and provide comfortable and livable homes for low-income families. Two units will be remodeled to create a Community Room and office. This space will contain the Learning Center/computer room. The new space will be approx. 900 sf large and is designed to foster community use and interaction. The project expects to start construction in July 2015 and be completed in March 2016.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 83%

10% (7 units) restricted to 50% or less of area median income households.

72% (50 units) restricted to 60% or less of area median income households.

Unit Mix: Studio, 1, 2 & 3 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:	$	16,089,267	
Estimated Hard Costs per Unit:	$	32,433	($2,237,860 /69 units)
Estimated per Unit Cost:	$	233,178	($16,089,267 /69 units)
Allocation per Unit:	$	144,344	($9,959,732 /69 units)
Allocation per Restricted Rental Unit:	$	174,732	($9,959,732 /57 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	$ 9,959,732	$ 5,630,000
Developer Equity	$ 0	$ 536,894
LIH Tax Credit Equity	$ 911,803	$ 5,594,441
Direct & Indirect Public Funds	$ 2,505,927	$ 2,505,927
Other (Accrued Interest & Refunds)	$ 0	$ 99,469
Other (Deferred Fee)	$ 0	$ 550,848
Other (Seller Carryback)	$ 0	$ 764,940
Other (Deferred Costs)	$ 2,305,057	$ 0
Other (Income from Operations)	$ 406,748	$ 406,748
Total Sources	$ 16,089,267	$ 16,089,267

Uses of Funds:	
Acquisition/Land Purchase	$ 8,930,000
Hard Construction Costs	$ 2,237,830
Architect & Engineering Fees	$ 182,000
Contractor Overhead & Profit	$ 408,509
Developer Fee	$ 1,870,036
Relocation	$ 382,500
Cost of Issuance	$ 243,764
Capitalized Interest	$ 172,674
Other Soft Costs (Marketing, etc.)	$ 1,661,924
Total Uses	$ 16,089,237

Description of Financial Structure and Bond Issuance:

The financial structure for the proposed project will be a private placement transaction provided by Bank of America, N.A. (the "Bank") for both construction and permanent financing through its Special Bond Offering product. During the construction phase, the loan term will be for 27 months. The interest rate will be a floating rate calculated on the basis of a 360-day year. The interest rate will be equal to the LIBOR Daily Floating Rate plus 1.50% per annum. If this rate becomes unavailable, indetermined or illegal, or fails to reflect the Bank's costs, the interest rate will be the Alternative Rate plus 0.50% per annum, which means for any day, a fluctuating rate per annum equal to the higher of (i) Bank's prive rate for the ay, and (ii) the federal funds rate for such day plus 50 bps. During the permanent financing phase, the Bonds will be a non-amortizing obligation with interest payable monthly for a period of six (6) months, followed by an amortizing obligation with principal and interest payable monthly for a period of 16.5 years. The Bank's obligation ends 17 years following the Rate Coversion Date. Amortization will commence after 27 months, irrespective of the date upon which Stabilization occurs. The interest rate will be calculated on a 30 / 360 day basis. The interest rate will remain in effect for 17 years after conversion (the fixed rate period). The fixed rate will be determined immediately prior to Bond closing based upon the 10 Year Interest Rate Swap, as provided by the Board of Governors of the Federal Reserve System, plus 2.42% (the fixed rate). 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: 64 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve $9,959,732 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	22
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project]	[10]	[10]	9
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	10
Service Amenities	10	10	0
New Construction	10	10	0
Sustainable Building Methods	10	10	3
Negative Points	-10	-10	0
Total Points	**130**	**100**	**64**

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.