

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: \$15,000,000

Project Information:
Name: Trolley Residential Apartments
Project Address: 4981 Market Street
Project City, County, Zip Code: San Diego, San Diego, 92102-4731

Project Sponsor Information:
Name: Trolley Residential CIC (Jacobs Center for Neighborhood Innovation and CIC Trolley Residential, LLC)
Principals: Reginald Jones, Andrew Hapke, Mark Gannuscio and Valerie J. Hapke for Jacobs Center for Neighborhood Innovation; James J. Schmid, Cheri Hoffman, Charles A. Schmid and Lynn Harrington for CIC Trolley Residential, LLC
Property Management Company: CIC Management, Inc.

Project Financing Information:
Bond Counsel: Quint & Thimmig LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, N.A.
TEFRA Adopted Date: March 10, 2015

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 51, plus 1 manager unit
Type: New Construction
Type of Units: Family

The proposed project is a 52-unit large-family affordable rental housing project to be built in southeastern San Diego. This new-construction project will be built on an infill lot with a net area of less than one acre and flat topography. There will be one level of subterranean parking and three levels of housing. The residential units surround a central courtyard with play and recreation areas for both adults and children. There is also a large community room, which includes a kitchen and computer lab. Laundry facilities are on each level. The unit mix will be 1-, 2- and 3-bedroom restricted to households with incomes no greater than 60% of the Area Median Income. There will also be one 3-bedroom manager's unit. The one and two-bedroom units each have one bathroom; the three-bedroom units have two bathrooms. All units will include either a patio or balcony, storage space, energy-efficient appliances (including dishwasher) and lighting, and wood-look hard-surface flooring throughout. Construction is expected to begin in June 2015 and be completed within 14 months.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
80% (41 units) restricted to 50% or less of area median income households.
20% (10 units) restricted to 60% or less of area median income households.
Unit Mix: 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: \$ 22,879,711
Estimated Hard Costs per Unit: \$ 237,438 (\$12,109,359 /51 units)
Estimated per Unit Cost: \$ 448,622 (\$22,879,711 /51 units)
Allocation per Unit: \$ 294,118 (\$15,000,000 /51 units)
Allocation per Restricted Rental Unit: \$ 294,118 (\$15,000,000 /51 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) location of project on a transite oriented infill site, which requires subterranean parking; and 2) prevailing wage.

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 15,000,000	\$ 933,000
Developer Equity	\$ 400,000	\$ 400,000
LIH Tax Credit Equity	\$ 1,356,424	\$ 9,042,829
Direct & Indirect Public Funds	\$ 4,204,960	\$ 11,074,960
Other (Land Note)	\$ 769,072	\$ 769,072
Other (Deferred Costs)	\$ 1,149,255	\$ 600,000
Other (Solare Tax Credit Equity)	\$ 0	\$ 59,850
Total Sources	\$ 22,879,711	\$ 22,879,711

Uses of Funds:	
Acquisition/Land Purchase	\$ 1,663,808
On-site & Off-site Costs	\$ 1,861,500
Hard Construction Costs	\$ 10,247,859
Architect & Engineering Fees	\$ 1,126,192
Contractor Overhead & Profit	\$ 1,164,361
Developer Fee	\$ 2,000,000
Cost of Issuance	\$ 70,155
Capitalized Interest	\$ 449,053
Other Soft Costs (Entitlements - SDP, PDP)	\$ 768,808
Other Soft Costs (Local Development Impact Fees)	\$ 1,360,158
Other Soft Costs (Marketing, etc.)	\$ 2,167,817
Total Uses	\$ 22,879,711

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 24 months, plus one 6-month extension. The interest rate will be a variable rate equal to the sum of the one month LIBOR index plus a spread of 1.80%. During the permanent financing phase, the loan term and amortization period will both be for 15 years. The interest rate will have a preliminary rate of 4.50%. 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: 75 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$15,000,000 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]	0
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	10
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
Total Points	130	100	75

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.