

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 16, 2016
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
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Allocation Amount Requested:	
Tax-exempt:	\$15,300,000

Project Information:	Name:	Fairbanks Terrace Apartments
	Project Address:	Northeast Corner of Paseo del Sur and Del Sur Ridge Rd.
	Project City, County, Zip Code:	San Diego, San Diego, 92127

Project Sponsor Information:	Name:	Fairbanks Terrace CIC, LP (Southern Claifornia Housing Collaborative & CIC Fairbanks Terrace, LLC)
	Principals:	Michael McSweeney, Jim Neil and Nathan E. Schmid for Southern California Housing Collaborative; James J. Schmid, Cheri Hoffman, Charles A. Schmid, and Lynn Schmid for CIC Fairbanks Terrace, LLC
	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. and CIC Opportunities Fund II LLC
	TEFRA Noticing Date:	September 3, 2015
	TEFRA Adoption Date:	September 24, 2015

Description of Proposed Project:	State Ceiling Pool:	General
	Total Number of Units:	82, plus 1 manager unit
	Type:	New Construction
	Type of Units:	Senior Citizens

Fairbanks Terrace is a 83-unit senior new construction development, 100% affordable on a 1.77 acre parcel in the Del Sur subdivision of the Black Mountain Ranch neighborhood in the City of San Diego. Fairbanks Terrace will consist of 66 one bedroom and 17 two bedroom units dispersed among 2 twostory buildings. The buildings will have stairwells to the second floor as well as two elevators and generally the buildings will resemble Mediterranean style architecture. The buildings will have flat roofs. All ground floor units will be ADA accessible. The required number of units will have built out accessible bathrooms and wheel chair barrier free shower stalls. Unit amenities include central heat and air conditioning, private patio/balcony, blinds, vinyl flooring in the kitchen, bathrooms and the entry way with wall to wall carpeting throughout the remainder of the unit. Appliances will include a stove/oven, dishwasher, garbage disposal and refrigerator. The expected closing date of financing is February 28.

2016 and construction will start in early March, 2016. Completion is projected for December 2016.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
11% (9 units) restricted to 50% or less of area median income households.
89% (73 units) restricted to 60% or less of area median income households.
Unit Mix: 1 & 2 bedrooms

The proposed project will not be providing service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	25,332,832	
Estimated Hard Costs per Unit:	\$	117,900	(\$9,667,805 /82 units)
Estimated per Unit Cost:	\$	308,937	(\$25,332,832 /82 units)
Allocation per Unit:	\$	186,585	(\$15,300,000 /82 units)
Allocation per Restricted Rental Unit:	\$	186,585	(\$15,300,000 /82 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 14,725,000	\$ 5,831,000
Junior Bond Proceeds	\$ 575,000	\$ 575,000
LIH Tax Credit Equity	\$ 877,308	\$ 11,572,971
Developer Loans and Interest	\$ 6,046,729	\$ 6,046,732
Deferred Fees and Costs	\$ 3,108,792	\$ 1,307,129
Total Sources	\$ 25,332,829	\$ 25,332,832

Uses of Funds:	
Land Cost/Acquisition	\$ 7,486,317
New Construction	\$ 9,667,805
Architectural Fees	\$ 345,600
Permanent Financing	\$ 1,319,073
Legal Fees	\$ 179,750
Reserves	\$ 197,046
Appraisal	\$ 25,000
Contingencies	\$ 481,592
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 2,460,449
Developer Costs	\$ 3,170,200
Total Uses	\$ 25,332,832

Description of Financial Structure and Bond Issuance:

This is a Housing Authority of the City of San Diego bond issuance with Citibank and CIC Opportunities Fund II, LLC providing the funding. During the construction financing phase the loan term will be for 24 months with fixed interest rate equal to 3.75%. During the construction financing phase of the subordinate "Junior Bonds" the loan term will be for 18 months with fixed interest rate equal to 9%. During the permanent financing phase, the loan term will be for 15 years with an amortization period of 35 years at a fixed rate equal to 5.40%. During the permanent financing phase, the "Junior Bonds" will be for 15 years with a fixed rate equal to 8.%. After the initial 15 year compliance period, the Junior Bond rate will be 9%, payable from 75% of available cash flow.

Analyst Comments:

None

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:50 out of 140
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$15,300,000 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
Preservation Project	20	20	0
Exceeding Minimum Income Restrictions:	35	15	25
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	10
Gross Rents	5	5	5
Large Family Units	5	5	0
Leveraging	10	10	0
Community Revitalization Area	5	5	0
Site Amenities	10	10	0
Service Amenities	10	10	0
New Construction or Substantial Renovation	10	10	10
Sustainable Building Methods	10	10	0
Forgone Eligible Developer Fee (Competitive Allocation Process Only)	10	10	0
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	0
Negative Points (No Maximum)	-10	-10	0
Total Points	140	120	50

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.