

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 15, 2017
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
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Allocation Amount Requested:	Tax-exempt: \$12,000,000
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Project Information:	Name: New Palace Hotel Apartments
	Project Address: 1814 5th Avenue
	Project City, County, Zip Code: San Diego, San Diego, 92101

Project Sponsor Information:	Name: HDP New Palace LP (HDP New Palace Management, LLC)
	Principals: Richard Gentry, Gary Grambling, Roberta Spoon and Michael Pavco for HDP New Palace Management, LLC
	Property Management Company: SK Management

Project Financing Information:	Bond Counsel: Quint & Thimmig LLP
	Private Placement Purchaser: Citibank, N.A.
	Cash Flow Permanent Bond: Not Applicable
	Public Sale: Not Applicable
	Underwriter: Not Applicable
	Credit Enhancement Provider: Not Applicable
	TEFRA Noticing Date: November 17, 2016
	TEFRA Adoption Date: December 21, 2016

Description of Proposed Project:	State Ceiling Pool: General
	Total Number of Units: 78
	Manager's Units: 1 Unrestricted
	Type: Acquisition and Rehabilitation
	Population Served: Senior Citizens

New Palace Hotel Apartments is an existing project located in the city of San Diego on a 0.34 acre site. The project consists of 79 rental units. Two of the 79 units will be unrestricted with one unit designated as a manager's unit. The project has 77 studio units. The scope of rehabilitation will include building systems renovation that will consist of major upgrades to mechanical, electrical, plumbing, elevator modernization and new HVAC. Individual apartment units will be updated with cabinets, counters, floors, hardware, painting, appliances, bathroom fixtures, fire/life safety and energy efficient windows. Lastly, common or site area renovations will consist of landscaping. The rehabilitation is expected to begin in June/July 2017 and completed in June 2018.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 99%
10% (8 units) restricted to 50% or less of area median income households.
88% (69 units) restricted to 60% or less of area median income households.
Unit Mix: Studio

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: \$ 22,048,834
Estimated Hard Costs per Unit: \$ 79,103 (\$6,169,996 /78 units)
Estimated per Unit Cost: \$ 279,099 (\$22,048,834 /79 units including mgr. units)
Allocation per Unit: \$ 153,846 (\$12,000,000 /78 units)
Allocation per Restricted Rental Unit: \$ 155,844 (\$12,000,000 /77 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 12,000,000	\$ 4,560,000
LIH Tax Credit Equity	\$ 1,220,970	\$ 8,139,802
Developer Equity	\$ 48,000	\$ 0
Deferred Developer Fee	\$ 0	\$ 1,100,293
Seller Carryback Loan	\$ 1,740,739	\$ 1,740,739
Itemized Public Funds Sources	\$ 6,308,000	\$ 6,460,000
HDP / RFR Transfer	\$ 0	\$ 48,000
Total Sources	\$ 21,317,709	\$ 22,048,834

Uses of Funds:	
Land Cost/Acquisition	\$ 7,595,000
Rehabilitation	\$ 6,947,394
Relocation	\$ 552,645
Contractor Overhead & Profit	\$ 337,414
Architectural Fees	\$ 310,502
Survey and Engineering	\$ 103,687
Construction Interest and Fees	\$ 1,402,106
Permanent Financing	\$ 125,000
Legal Fees	\$ 73,800
Reserves	\$ 488,797
Appraisal	\$ 13,000
Hard Cost Contingency	\$ 658,237
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 941,252
Developer Costs	\$ 2,500,000
Total Uses	\$ 22,048,834

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:

82.7 out of 140

[See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$12,000,000 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
Preservation Project	20	20	20
Exceeding Minimum Income Restrictions:	35	15	25
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	0
Gross Rents	5	5	5
Large Family Units	5	5	0
Leveraging	10	10	10
Community Revitalization Area	5	5	0
Site Amenities	10	10	7.5
Service Amenities	10	10	0
New Construction or Substantial Renovation	10	10	10
Sustainable Building Methods	10	10	5
Forgone Eligible Developer Fee (Competitive Allocation Process Only)	10	10	N/A
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	N/A
Negative Points (No Maximum)	-10	-10	0
Total Points	140	110	82.7

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.