

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
September 20, 2017
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Louise Eller

Applicant: **Housing Authority of the City of San Diego**

Allocation Amount Requested:

Tax-exempt: \$19,500,000

Project Information:

Name: **Hollywood Palms II Apartments**
Project Address: 4372 Home Avenue
Project City, County, Zip Code: San Diego, San Diego, 92105

Project Sponsor Information:

Name: San Diego/Fox Hollow II LP (AHG Hollywood Palms II, LLC and City Heights Community Development Corporation)
Principals: Nicki Cometa and Micah Spano for AHG Hollywood Palms II, LLC; Kenneth Grimes for City Heights Community Development Corporation
Property Management Company: City Heights Community Development Corporation

Project Financing Information:

Bond Counsel: Jones Hall, A Professional Law Corporation
Private Placement Purchaser: JPMorgan Chase Bank, N.A. (construction)/Walker & Dunlop (permanent)
Cash Flow Permanent Bond: Not Applicable
Public Sale: Not Applicable
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Rating: Not Applicable
TEFRA Noticing Date: February 15, 2017
TEFRA Adoption Date: March 6, 2017

Description of Proposed Project:

State Ceiling Pool: General
Total Number of Units: 94
Manager's Units: 1 Restricted
Type: Acquisition and Rehabilitation
Population Served: Family

Hollywood Palms II Apartments is an existing project located in San Diego on an 11.1-acre site. The project consists of 93 restricted rental units and 1 restricted manager's unit. The project has 44 two-bedroom units, 28 three-bedroom units and 22 four-bedroom units. The renovations will include building exterior/interior upgrades. Building exterior renovations will consist of updated outdoor amenity spaces, an updated community room, security fencing and fresh landscaping. Interior renovations will include a newly designed community building, gym, playground, on-site management, laundry room and business center. In addition, the community building will receive a new security system and a new kitchen. Individual apartment units will be updated with HVAC, a patio or balcony, energy-star appliances, new paint, new flooring, new doors and hardware as needed, new kitchens including cabinets and countertops. In addition, the bathrooms will be renovated with new fixtures, flooring and accessories. Lastly, common or site area renovations will consist of stucco repairs, new paint, garage door repairs, new exterior lighting and signage and repairs to existing features such as steps and waterproofing landings. The rehabilitation is expected to begin in November 2017 and completed in November 2018.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
11% (10 units) restricted to 50% or less of area median income households.
89% (84 units) restricted to 60% or less of area median income households.
Unit Mix: 2, 3 & 4 bedrooms

The proposed project will be providing service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 31,592,115	
Estimated Hard Costs per Unit:	\$ 69,079	(\$6,493,388 /94 units including mgr. units)
Estimated per Unit Cost:	\$ 336,086	(\$31,592,115 /94 units including mgr. units)
Allocation per Unit:	\$ 207,447	(\$19,500,000 /94 units including mgr. units)
Allocation per Restricted Rental Unit:	\$ 207,447	(\$19,500,000 /94 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 19,500,000	\$ 15,950,000
LIH Tax Credit Equity	\$ 5,354,466	\$ 8,366,723
Deferred Developer Fee	\$ 2,400,000	\$ 2,400,000
GP Equity	\$ 0	\$ 113,600
Seller Carryback Loan	\$ 2,587,649	\$ 2,421,614
MASH - Center for Sustainable Energy	\$ 0	\$ 210,319
Net Income From Operations	\$ 1,000,000	\$ 1,000,000
Solar Credits	\$ 0	\$ 379,859
Sale Proceeds for Services	\$ 0	\$ 750,000
Total Sources	\$ 30,842,115	\$ 31,592,115

Uses of Funds:	
Land Cost/Acquisition	\$ 16,325,000
Rehabilitation	\$ 7,473,892
Relocation	\$ 94,000
Contractor Overhead & Profit	\$ 285,708
Architectural Fees	\$ 220,000
Survey and Engineering	\$ 94,000
Construction Interest and Fees	\$ 757,000
Permanent Financing	\$ 532,250
Legal Fees	\$ 185,000
Reserves	\$ 357,000
Appraisal	\$ 10,000
Hard Cost Contingency	\$ 582,000
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 1,113,000
Developer Costs	\$ 3,563,265
Total Uses	\$ 31,592,115

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 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$19,500,000 in tax exempt bond allocation on a carryforward basis.

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	5
Leveraging	10	10	0
Community Revitalization Area	5	5	0
Site Amenities	10	10	5
Service Amenities	10	10	10
New Construction or Substantial Renovation	10	10	10
Sustainable Building Methods	10	10	2
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