

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: Sarah Lester

Applicant:	Housing Authority of the City of San Diego
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Allocation Amount Requested:	Tax-exempt: \$20,000,000
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Project Information:	Name: Luther Tower Apartments
	Project Address: 1455 Second Avenue
	Project City, County, Zip Code: San Diego, San Diego, 92101

Project Sponsor Information:	Name: Tower Housing Partners, LP (Tower Housing Management LLC and Alpha Project)
	Principals: David Beacham, Casey Haeling and Colin Rice for Tower Housing Management LLC; Bob McElroy and Robb Lally for Alpha Project
	Property Management Company: Royal Property Management Group, Inc.

Project Financing Information:	Bond Counsel: Orrick, Herrington & Sutcliffe 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
	Rating: Not Applicable
	TEFRA Noticing Date: June 8, 2017
	TEFRA Adoption Date: June 27, 2017

Description of Proposed Project:	State Ceiling Pool: General
	Total Number of Units: 200
	Manager's Units: 2 Unrestricted
	Type: Acquisition and Rehabilitation
	Population Served: Family

Luther Tower Apartments is an existing project located in San Diego on a 0.57-acre site. The project consists of 198 restricted rental units and 2 unrestricted managers' units. The project has 108 studio units, 90 one-bedroom units and 2 two-bedroom units. The renovations will include building exterior and interior upgrades. Building exterior renovations will consist of complete reroofing of the building, window replacements, repairs to railings, elevator(s) and boilers. Individual apartment units will be updated with new kitchens and baths, new flooring and new appliances. The rehabilitation is expected to begin in November 2017 and completed in October 2018.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
10% (20 units) restricted to 50% or less of area median income households.
90% (178 units) restricted to 60% or less of area median income households.
Unit Mix: Studio & 1 bedroom

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: \$ 29,175,000
Estimated Hard Costs per Unit: \$ 43,162 (\$8,632,370 /200 units including mgr. units)
Estimated per Unit Cost: \$ 145,875 (\$29,175,000 /200 units including mgr. units)
Allocation per Unit: \$ 100,000 (\$20,000,000 /200 units including mgr. units)
Allocation per Restricted Rental Unit: \$ 101,010 (\$20,000,000 /198 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 20,000,000	\$ 20,000,000
LIH Tax Credit Equity	\$ 8,025,000	\$ 8,025,000
Developer Equity	\$ 1,150,000	\$ 0
Deferred Developer Fee	\$ 0	\$ 1,150,000
Total Sources	\$ 29,175,000	\$ 29,175,000

Uses of Funds:	
Land Cost/Acquisition	\$ 9,000,000
Rehabilitation	\$ 9,240,953
Relocation	\$ 230,000
Contractor Overhead & Profit	\$ 690,589
Architectural Fees	\$ 200,000
Survey and Engineering	\$ 50,000
Construction Interest and Fees	\$ 366,537
Permanent Financing	\$ 417,500
Legal Fees	\$ 260,000
Reserves	\$ 4,011,000
Appraisal	\$ 7,500
Hard Cost Contingency	\$ 985,000
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 715,921
Developer Costs	\$ 3,000,000
Total Uses	\$ 29,175,000

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:

54 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$20,000,000 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	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	4
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	120	54