

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 17, 2019
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Sarah Lester

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| Applicant: | Housing Authority of the City of San Diego |
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| Allocation Amount Requested: | Tax-exempt: \$101,000,000 |
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| Project Information: | Name: 14th & Commercial |
| | Project Address: 1 14th Street |
| | Project City, County, Zip Code: San Diego, San Diego, 92101 |

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| Project Sponsor Information: | Name: 14th & Commercial CIC, LP (S.V.D.P. Management, Inc. and CIC 14th & Commercial, LLC) |
| | Principals: Deacon Jim F. Vargas, Bill Bolstad and Robert Dorsey for S.V.D.P Management, Inc.; Cheri Hoffman, James J. Schmid and Charles A. Schmid for CIC-VHHP 14th & Commercial, LLC |
| | Property Management Company: Hyder & Company |

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| 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: May 2, 2019 |
| | TEFRA Adoption Date: May 17, 2019 |

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| Description of Proposed Project: | State Ceiling Pool: General |
| | Total Number of Units: 326 |
| | Manager's Units: 3 Unrestricted |
| | Type: New Construction |
| | Population Served: Family |

14th & Commercial Apartments is a new construction project located in San Diego and is a part of a 1.06-acre site. The proposed project is part of a mixed-use development featuring two residential towers with a total of 407 affordable apartments. For purposes of financing, the project is being bifurcated through a condominium overlay into two separate financing projects. The proposed project will consist of 326 restricted rental units and 3 unrestricted manager units. The project will have 181 Studio units, 19 one-bedroom units and 26 two-bedroom units. The building will have 14 stories. Common amenities include a 1,000 square foot community room on each residential floor (approximately 1/2 of the community rooms will contain a kitchen), laundry facilities, bicycle parking, an open 10,000 square foot courtyard on the roof of the parking structure (that will include a grilling and picnic area), fitness facility, playground, covered terrace with a grill, dog run area, community garden and concrete chess tables. Each unit will have a refrigerator and a range. There will be 78 parking spaces provided. The project will be pursuing LEED Gold certification. The construction is expected to begin October 2019 and be completed in October 2021.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (323 units) restricted to 50% or less of area median income households.
Unit Mix: Studio, 1 & 2 bedrooms

The proposed project will not be receiving service amenity points.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

| | | | |
|---|----|-------------|---|
| Estimated Total Development Cost: | \$ | 151,140,663 | |
| Estimated Hard Costs per Unit: | \$ | 241,122 | (\$78,605,739 /326 units including mgr. units) |
| Estimated per Unit Cost: | \$ | 463,622 | (\$151,140,663 /326 units including mgr. units) |
| Allocation per Unit: | \$ | 309,816 | (\$101,000,000 /326 units including mgr. units) |
| Allocation per Restricted Rental Unit: | \$ | 312,693 | (\$101,000,000 /323 restricted units) |

| Sources of Funds: | Construction | Permanent |
|------------------------------|-----------------------|-----------------------|
| Tax-Exempt Bond Proceeds | \$ 101,000,000 | \$ 7,303,551 |
| LIH Tax Credit Equity | \$ 7,569,348 | \$ 50,462,321 |
| HCD - NPLH | \$ 0 | \$ 15,722,792 |
| Developer Fee Contribution | \$ 0 | \$ 12,152,079 |
| Deferred Costs | \$ 15,727,512 | \$ 0 |
| Deferred Developer Fee | \$ 0 | \$ 418,618 |
| Land Value Soft Loan | \$ 15,731,302 | \$ 15,731,302 |
| San Diego Housing Commission | \$ 5,862,500 | \$ 6,150,000 |
| HCD - SHMHP | \$ 0 | \$ 20,000,000 |
| HCD - IIG | \$ 3,250,000 | \$ 3,250,000 |
| AHP | \$ 2,000,000 | \$ 2,000,000 |
| HCD - AHSC | \$ 0 | \$ 17,950,000 |
| Total Sources | \$ 151,140,662 | \$ 151,140,663 |

| Uses of Funds: | |
|---|-----------------------|
| Land Cost/Acquisition | \$ 19,736,216 |
| New Construction | \$ 84,450,565 |
| Contractor Overhead & Profit | \$ 4,791,882 |
| Architectural Fees | \$ 2,634,130 |
| Survey and Engineering | \$ 1,178,179 |
| Construction Interest and Fees | \$ 9,970,537 |
| Permanent Financing | \$ 44,528 |
| Legal Fees | \$ 244,300 |
| Reserves | \$ 1,404,509 |
| Appraisal | \$ 8,010 |
| Hard Cost Contingency | \$ 5,131,850 |
| Local Development Impact Fees | \$ 3,937,463 |
| Other Project Costs (Soft Costs, Marketing, etc.) | \$ 1,286,415 |
| Developer Costs | \$ 16,322,079 |
| Total Uses | \$ 151,140,663 |

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:

85 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$101,000,000 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 | 35 |
| Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project] | [10] | [10] | 10 |
| Large Family Units | 5 | 5 | 0 |
| Leveraging | 10 | 10 | 10 |
| Community Revitalization Area | 5 | 5 | 0 |
| Site Amenities | 10 | 10 | 10 |
| Service Amenities | 10 | 10 | 0 |
| New Construction or Substantial Renovation | 10 | 10 | 10 |
| Sustainable Building Methods | 10 | 10 | 10 |
| 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 | 85 |