

**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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<b>Applicant:</b>	<b>Housing Authority of the City of San Diego</b>
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<b>Allocation Amount Requested:</b>	<b>Tax-exempt:</b> \$22,000,000
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<b>Project Information:</b>	<b>Name:</b> Wesley Terrace
	<b>Project Address:</b> 5343 Monroe Avenue
	<b>Project City, County, Zip Code:</b> San Diego, San Diego, 92115

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<b>Project Sponsor Information:</b>	<b>Name:</b> Wesley Terrace Partners, LP (Wesley Developments, LLC & Wesley Terrace Management, LLC)
	<b>Principals:</b> Greg Estep for Wesley Developments, LLC; David Beacham, Casey Haeling and Colin Rice for Wesley Terrace Management, LLC
<b>Property Management Company:</b>	Royal Property Management Group

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<b>Project Financing Information:</b>	<b>Bond Counsel:</b> Squire Patton Boggs (US) LLP
	<b>Private Placement Purchaser:</b> Citibank, N.A.
	<b>Cash Flow Permanent Bond:</b> Not Applicable
	<b>Public Sale:</b> Not Applicable
	<b>Underwriter:</b> Not Applicable
	<b>Credit Enhancement Provider:</b> Not Applicable
	<b>Rating:</b> Not Applicable
	<b>TEFRA Noticing Date:</b> April 11, 2019
	<b>TEFRA Adoption Date:</b> April 23, 2019

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<b>Description of Proposed Project:</b>	<b>State Ceiling Pool:</b> General
	<b>Total Number of Units:</b> 161
	<b>Manager's Units:</b> 2 Unrestricted
	<b>Type:</b> Acquisition and Rehabilitation
	<b>Population Served:</b> Senior Citizens

Wesley Terrace Apartments is an existing project located in San Diego on a 1.52-acre site. The project consists of 159 restricted rental units and 2 unrestricted manager units. The project has 114 Studio units, 46 one-bedroom units and 1 two-bedroom unit. The renovations will include building exterior and interior upgrades. Building exterior renovations will consist of concrete and paving repairs, replacement of roof, site lighting, plumbing (including valves, angle stops and aerators) and new paint. Interior renovations will include modernized elevators, installation of new fire alarm system and hardwire for smoke detectors, modernization of common area 1st floor space, upgrade management office furniture and equipment, additional security cameras and lighting, and new solar panels. Individual apartment units will be updated with new flooring, shower enclosures and tubs, refrigerators, ranges, cabinets, countertops and bathroom vanities. The rehabilitation is expected to begin in September 2019 and be completed in June 2020.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%  
10% (16 units) restricted to 50% or less of area median income households.  
90% (143 units) restricted to 60% 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:**

<b>Estimated Total Development Cost:</b>	\$ 32,897,188	
<b>Estimated Hard Costs per Unit:</b>	\$ 50,457	(\$8,123,545 /161 units including mgr. units)
<b>Estimated per Unit Cost:</b>	\$ 204,330	(\$32,897,188 /161 units including mgr. units)
<b>Allocation per Unit:</b>	\$ 136,646	(\$22,000,000 /161 units including mgr. units)
<b>Allocation per Restricted Rental Unit:</b>	\$ 138,365	(\$22,000,000 /159 restricted units)

<b>Sources of Funds:</b>	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 22,000,000	\$ 22,000,000
LIH Tax Credit Equity	\$ 4,930,589	\$ 7,585,521
Deferred Developer Fee	\$ 2,966,599	\$ 311,667
Cash from Sale (Wesley Developments, Inc.)	\$ 3,000,000	\$ 3,000,000
Total Sources	\$ 32,897,188	\$ 32,897,188

<b>Uses of Funds:</b>	
Land Cost/Acquisition	\$ 8,520,000
Rehabilitation	\$ 8,822,170
Relocation	\$ 300,000
Contractor Overhead & Profit	\$ 649,884
Architectural Fees	\$ 250,000
Survey and Engineering	\$ 10,000
Construction Interest and Fees	\$ 350,000
Permanent Financing	\$ 448,624
Legal Fees	\$ 295,000
Reserves	\$ 5,580,000
Appraisal	\$ 6,500
Hard Cost Contingency	\$ 1,322,205
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 3,063,936
Developer Costs	\$ 3,278,869
Total Uses	\$ 32,897,188

**Analyst Comments:**

None

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**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.

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**Total Points:**

49 out of 140 [See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approves \$22,000,000 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	10
Exceeding Minimum Income Restrictions:	35	15	25
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	0
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
<b>Total Points</b>	<b>140</b>	<b>110</b>	<b>49</b>