

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
October 16, 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 |
| Allocation Amount Requested: | Tax-exempt: \$42,000,000 |
| Project Information: | Name: Mariner's Village Project Address: 6847 Potomac Street Project City, County, Zip Code: San Diego, San Diego, 92139 |
| Project Sponsor Information: | Name: HDP Mariner's Village LP (HDP Mariner's Village Management, LLC) Principals: Richard Gentry, Gary Grambling, Stephanie Benvenuto and Michael Pavco Property Management Company: ConAm Management Corporation |
| Project Financing Information: | Bond Counsel: Squire Patton Boggs (US) 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: November 19, 2018 TEFRA Adoption Date: December 10, 2018 |
| Description of Proposed Project: | State Ceiling Pool: General Total Number of Units: 172 Manager's Units: 2 Unrestricted Type: Acquisition and Rehabilitation Population Served: Family |

Mariner's Village Apartments is an existing project located in San Diego on a 9.46-acre site. The project consists of 125 restricted rental units, 45 market rate units and 2 unrestricted managers' units. The project has 20 one-bedroom units, 108 two-bedroom units and 44 three-bedroom units. Building exterior renovations will consist of roofing and roof drainage replacements, replacement/repair of cracked concrete steps and damaged landing edges, repair of damaged framing to balconies with addition of new post and beams for support, refurbishment of landscape and irrigation systems, new plants and replacement of garage roofing. Individual apartment units will be updated with new carpet, vinyl flooring replacement, new kitchen cabinets, new Energy Star appliances, replacement of exterior windows and replacement of sliding patio/balcony doors as needed. The rehabilitation is expected to begin in November 2019 and be completed in December 2020.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 74%
32% (54 units) restricted to 50% or less of area median income households.
42% (71 units) restricted to 60% or less of area median income households.
Unit Mix: 1, 2 & 3 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: | \$ | 80,110,158 | |
| Estimated Hard Costs per Unit: | \$ | 69,000 | (\$11,868,000 /172 units including mgr. units) |
| Estimated per Unit Cost: | \$ | 465,757 | (\$80,110,158 /172 units including mgr. units) |
| Allocation per Unit: | \$ | 244,186 | (\$42,000,000 /172 units including mgr. units) |
| Allocation per Restricted Rental Unit: | \$ | 336,000 | (\$42,000,000 /125 restricted units) |

Sources of Funds:

| | Construction | Permanent |
|--------------------------|----------------------|----------------------|
| Tax-Exempt Bond Proceeds | \$ 42,000,000 | \$ 15,550,000 |
| LIH Tax Credit Equity | \$ 2,615,181 | \$ 26,151,809 |
| Deferred Developer Fee | \$ 0 | \$ 6,769,785 |
| Seller Carryback Loan | \$ 31,638,564 | \$ 31,638,564 |
| Total Sources | \$ 76,253,745 | \$ 80,110,158 |

Uses of Funds:

| | |
|---|----------------------|
| Land Cost/Acquisition | \$ 46,800,000 |
| Rehabilitation | \$ 12,698,760 |
| Relocation | \$ 1,760,000 |
| Contractor Overhead & Profit | \$ 949,440 |
| Architectural Fees | \$ 818,892 |
| Survey and Engineering | \$ 50,100 |
| Construction Interest and Fees | \$ 3,295,750 |
| Permanent Financing | \$ 216,000 |
| Legal Fees | \$ 230,000 |
| Reserves | \$ 879,950 |
| Appraisal | \$ 8,000 |
| Hard Cost Contingency | \$ 1,703,706 |
| Other Project Costs (Soft Costs, Marketing, etc.) | \$ 709,775 |
| Developer Costs | \$ 9,989,785 |
| Total Uses | \$ 80,110,158 |

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:

56.9 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$42,000,000 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 | 29 |
| Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project] | [10] | [10] | 7.9 |
| 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 | 0 |
| New Construction or Substantial Renovation | 10 | 10 | 10 |
| Sustainable Building Methods | 10 | 10 | 0 |
| 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 | 56.9 |