

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 16, 2011
Staff Report
*REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT*

Prepared by: Crystal Alvarez

Applicant: Housing Authority of the City of San Diego

Allocation Amount Requested:
Tax-exempt: \$14,500,000

Project Information:
Name: Sorrento Tower Apartments
Project Address: 2875 Cowley Avenue
Project City, County, Zip Code: San Diego, San Diego, 92117

Project Sponsor Information:
Name: Sorrento Tower Housing Partners, L.P. (C&C Development Group, LLC, DAL Development, LLC and Cowley Partners, LLC)
Principals: Casey Haeling and Colin Rice for C&C Development Group, LLC; David Beacham and Alice Beacham for DAL Development, LLC; Julius Paeske and Greg Cartwright for Cowley Partners, LLC

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Citibank, N.A./Freddie Mac
Credit Enhancement Provider: Citibank, N.A./Freddie Mac
TEFRA Hearing Date: October 19, 2010

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 197, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

The projects is comprised of 1 fourteen-story building on the corner of Cowley Way and Mt. Acadia Boulevard. The complex was built in 1976 and the lot area is 1.370 acres. The project is located within a suburban neighborhood with a mix of multifamily and commercial developments. The scope of work is categorized to reflect necessary repairs to address deferred maintenance; other rehabilitation to enhance long-term viability; and other feasible upgrades to increase marketability.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
30% (60 units) restricted to 50% or less of area median income households.
70% (137 units) restricted to 60% or less of area median income households.
Unit Mix: Studio & 1 bedroom

The project is comprised of 130 studio units of approximately 404 square feet and 67 one bedroom units of approximately 577 square feet. All of the units are HUD restricted to tenants with disabilities and/or seniors. The project sponsor has committed to providing educational classes and contracts for services such as assistance with daily living activities for a period of 10 years. The project is in close proximity to public transportation, Clairemont Library, Keil's Food Store and Tecolote Canyon Natural Park.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 19,600,000
Estimated Hard Costs per Unit: \$ 32,107 (\$6,325,000 /197 units)
Estimated per Unit Cost: \$ 99,492 (\$19,600,000 /197 units)
Allocation per Unit: \$ 73,604 (\$14,500,000 /197 units)
Allocation per Restricted Rental Unit: \$ 73,604 (\$14,500,000 /197 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 14,500,000	\$ 14,500,000
Developer Equity	\$ 1,500,000	\$ 0
LIH Tax Credit Equity	\$ 3,600,000	\$ 5,100,000
Total Sources	<u>\$ 19,600,000</u>	<u>\$ 19,600,000</u>

Uses of Funds:	
Acquisition Cost	\$ 7,500,000
Hard Construction Costs	\$ 6,325,000
Architect & Engineering Fees	\$ 50,000
Contractor Overhead & Profit	\$ 425,000
Developer Fee	\$ 2,200,000
Relocation	\$ 250,000
Cost of Issuance	\$ 540,000
Capitalized Interest	\$ 135,000
Other Soft Costs (Marketing, etc)	\$ 2,175,000
Total Uses	<u>\$ 19,600,000</u>

Description of Financial Structure and Bond Issuance:

The project sponsor has obtained a commitment from Citibank, N.A. acting as a Seller/Servicer for the Federal Home Loan Mortgage Corporation "Freddie Mac" to purchase the tax-exempt bonds issued for the project through a Credit Enhancement structure under the Moderate Rehabilitation Program. The loan will be amortized over 35 years. In addition, the project currently has a HUD Housing Assistance Program contract for the Section 8 program.

Analyst Comments:

Not Applicable

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: 63 out of 118

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$14,500,000 in tax exempt bond allocation.

ATTACHMENT A

EVALUATION SCORING:

Point Criteria	Maximum Points Allowed for Non-Mixed Income Projects	Maximum Points Allowed for Mixed Income Projects	Points Scored
Federally Assisted At-Risk Project or HOPE VI Project	20	20	0
Exceeding Minimum Income Restrictions:	35	15	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project]	[10]	[10]	5
Gross Rents	5	5	0
Large Family Units	5	5	0
Leveraging	10	10	0
Community Revitalization Area	15	15	0
Site Amenities	10	10	10
Service Amenities	10	10	10
New Construction	10	10	0
Sustainable Building Methods	8	8	3
Negative Points	-10	-10	0
Total Points	118	98	63

The criteria for which points are awarded will also be incorporated into the Resolution transferring Allocation to the Applicant as well as the appropriate bond documents and loan and finance agreements.