

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
November 13, 2013
Staff Report
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT**

Prepared by: Richard Fischer

Applicant: Housing Authority of the City of San Diego

Allocation Amount Requested:
Tax-exempt: \$8,000,000

Project Information:
Name: City Heights Ten Apartments (Scattered Site)
35-3545 43rd St., 3429-3461 43rd St., 3604 Van Dyke Ave.,
Project Address: 4217-4231 Euclid Ave., 4251 44th St., 4085 44th St., 4048-4064
1/2 48th St., 4165-4175 Highland Ave., 3820-3832 43rd St.,
3536 43rd St.
Project City, County, Zip Code: San Diego, San Diego, 92105

Project Sponsor Information:
Name: City Heights Ten, L.P. (Wakeland City Heights Ten, LLC and
City Heights Community Development Corporation)
Principals: Kenneth L. Sauder, Rebecca Louie, Joan Edelman and Robert
G. Bohrer for the Wakeland City Heights Ten, LLC and
Kenneth Grimes, Hanan H. Bowman, Kyle Kennedy and Laura
Ann Fernea for the City Heights Community Development
Corporation.
Property Management Company: Hyder and Company

Project Financing Information:
Bond Counsel: Quint & Thimmig LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Wells Fargo Bank, N.A. for Construction Loan and California
Community Reinvestment Corporation for the Permanent loan
TEFRA Hearing Date: September 11, 21013

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 129, plus 3 manager units
Type: Acquisition and Rehabilitation
Type of Units: Family & Senior Citizens

City Heights Ten Apartments (Project) is a scattered site project consisting of ten separate properties located in the City Heights area of San Diego. City Heights is a large community in the eastern part of San Diego, formerly known as the City of East San Diego. The Project has a total of 129 units, with two of the sites being for Senior Citizens. The expected rehabilitation is slated to begin in February of 2014. Although each property is unique to its specific rehabilitation needs, all sites will be replacing all appliances without an Energy Star rating, all windows that are lacking thermal efficiency and add solar water heating.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
88% (114 units) restricted to 50% or less of area median income households.
12% (15 units) restricted to 60% or less of area median income households.
Unit Mix: Studio, 1, 2 & 3 bedrooms

Service Amenities: Instructor-led educational, health and wellness or skill building classes and a bona fide service coordinator social worker will be provided to most of the sites.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 16,652,790	
Estimated Hard Costs per Unit:	\$ 21,301	(\$2,747,813 /129 units)
Estimated per Unit Cost:	\$ 129,091	(\$16,652,790 /129 units)
Allocation per Unit:	\$ 62,016	(\$8,000,000 /129 units)
Allocation per Restricted Rental Unit:	\$ 62,016	(\$8,000,000 /129 restricted units)

	Construction	Permanent
Sources of Funds:		
Tax-Exempt Bond Proceeds	\$ 8,000,000	\$ 4,381,926
LIH Tax Credit Equity	\$ 496,547	\$ 4,966,471
Direct & Indirect Public Funds	\$ 6,278,000	\$ 6,278,000
Other (Income, Reserves and Capital Contribution)	\$ 473,263	\$ 1,026,393
Total Sources	\$ 15,247,810	\$ 16,652,790

Uses of Funds:	
Acquisition/Land Purchase	\$ 8,928,719
Hard Construction Costs	\$ 2,747,813
Architect & Engineering Fees	\$ 423,028
Contractor Overhead & Profit	\$ 838,083
Developer Fee	\$ 1,411,000
Relocation	\$ 326,800
Cost of Issuance	\$ 1,060,565
Capitalized Interest	\$ 261,878
Other Soft Costs (Marketing, etc.)	\$ 654,904
Total Uses	\$ 16,652,790

Description of Financial Structure and Bond Issuance:

This will be a Private Placement transaction with Wells Fargo Bank, N.A. managing the Construction period and the California Community Reinvestment Corporation assuming the permanent period of the bond loan. The bonds have maturity term of 32 years. During the first 24 months, the bonds will be interest only; following the conversion to the permanent period the bonds will amortize on a 30 year basis. Construction bond interest rate will be variable based on 30-day LIBOR + 160 bps. The Permanent bond interest rate is equal to the greater of 5.25 % or the 15 year municipal bond index plus 175 bps fixed for 17 years with a rate reset in year 17 of 200 bps over the 15 year municipal bond index.

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: 74.07 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$8,000,000 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
Federally Assisted At-Risk Project or HOPE VI Project	20	20	0
Exceeding Minimum Income Restrictions:	35	15	34.37
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project]	[10]	[10]	6.06
Gross Rents	5	5	5
Large Family Units	5	5	0
Leveraging	10	10	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	10
Service Amenities	10	10	8.64
New Construction	10	10	0
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
Total Points	130	100	74.07

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.