

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 18th, 2016
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Louise Eller

Applicant: Housing Authority of the City of San Diego

Allocation Amount Requested:
Tax-exempt: \$15,000,000

Project Information:
Name: North Park Seniors Apartments
Project Address: 4200 Texas Street
Project City, County, Zip Code: San Diego, San Diego, 92104

Project Sponsor Information:
Name: Texas Street Senior Housing. L.P. (Howard Avenue Senior Housing, LLC)
Principals: Susan M. Reynolds, Anne B. Wilson and Brian Kay for Howard Avenue Senior Housing LLC.
Property Management Company: ConAm Management Corporation

Project Financing Information:
Bond Counsel: Squire Patton Boggs (US), LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: MUFG Union Bank, N.A.
TEFRA Noticing Date: November 17, 2015
TEFRA Adoption Date: December 11, 2015

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 75, plus 1 manager unit
Type: New Construction
Type of Units: Senior Citizens

North Park Senior Apartments is a new construction project for senior citizens located in the North Park neighborhood of San Diego and will be constructed on a 0.56 acre infill site. The proposed development includes 75 units, plus one managers' unit. 46 units will be restricted at 50% AMI and 29 units will be restricted at 60% AMI. Unit breakdown is as follows: 7 studios, 65 one-bedroom and 3 two-bedroom. The apartments will consist of one four-story wood-frame (Type V) building over a single-level parking garage. Community amenities include a laundry room, an outdoor fireplace, outdoor eating area, a barbeque, lounge area, and a vegetable garden. Each unit is equipped with Energy Star appliances. Units also have carpeting, hard surface flooring, and ceiling fans. All upper floor residential units have balconies. The project is 100% wheel-chair accessible. Eight units are full ADA units. The project includes domestic solar hot water, hydronic heating, as well as a solar photovoltaic system for common areas. Landscaping is designed with drought toletant and endemic plants. The project will be under the GreenPoint Rated Point program. Construction is expected to start July 1, 2016 and complete November 2017.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

61% (46 units) restricted to 50% or less of area median income households.

39% (29 units) restricted to 60% or less of area median income households.

Unit Mix: Studio, 1 & 2 bedrooms

The proposed project will not be providing service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

| | | | |
|---|----|------------|-------------------------------------|
| Estimated Total Development Cost: | \$ | 28,123,480 | |
| Estimated Hard Costs per Unit: | \$ | 165,826 | (\$12,436,950 /75 units) |
| Estimated per Unit Cost: | \$ | 374,980 | (\$28,123,480 /75 units) |
| Allocation per Unit: | \$ | 200,000 | (\$15,000,000 /75 units) |
| Allocation per Restricted Rental Unit: | \$ | 200,000 | (\$15,000,000 /75 restricted units) |

| Sources of Funds: | Construction | Permanent |
|-----------------------------------|----------------------|----------------------|
| Tax-Exempt Bond Proceeds | \$ 15,000,000 | \$ 4,000,000 |
| LIH Tax Credit Equity | \$ 1,125,326 | \$ 11,246,520 |
| Deferred Developer Fee | \$ 0 | \$ 1,487,964 |
| Accrued/Deferred Interest | \$ 0 | \$ 339,800 |
| Deferred Costs | \$ 1,707,809 | \$ 0 |
| BEITC | \$ 0 | \$ 180,000 |
| Refunds | \$ 0 | \$ 120,000 |
| GP Loan I | \$ 0 | \$ 1,164,931 |
| Affordable Housing Program Loan | \$ 750,000 | \$ 750,000 |
| Seller Carryback Note | \$ 3,240,345 | \$ 1,834,265 |
| San Diego Housing Commission Loan | \$ 6,300,000 | \$ 7,000,000 |
| Total Sources | \$ 28,123,480 | \$ 28,123,480 |

| Uses of Funds: | |
|---|----------------------|
| Land Cost/Acquisition | \$ 5,165,583 |
| New Construction | \$ 14,166,199 |
| Architectural Fees | \$ 1,169,807 |
| Survey & Engineering | \$ 257,500 |
| Construction Interest & Fees | \$ 1,583,847 |
| Permanent Financing | \$ 5,000 |
| Legal Fees | \$ 45,000 |
| Reserves | \$ 148,366 |
| Appraisal | \$ 12,000 |
| Contingency Cost | \$ 708,310 |
| Local Development Impact Fees | \$ 758,052 |
| Other Project Costs (Soft Costs, Marketing, etc.) | \$ 1,215,860 |
| Developer Costs | \$ 2,887,956 |
| Total Uses | \$ 28,123,480 |

Description of Financial Structure and Bond Issuance:

The bonds will be purchased in a private placement transaction by MUFG Union Bank, N.A. During the construction financing phase the loan term will be for 24 months with a variable interest rate at 65% of the 30-day LIBOR plus 1.60%. During the permanent financing phase, the loan term will be for 17 years with an amortization period of 30 years at an indicative fixed rate of 3.97%.

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: 87.5 out of 140

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$15,000,000 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 |
|--|--|--|---------------|
| 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 |
| Gross Rents | 5 | 5 | 5 |
| Large Family Units | 5 | 5 | 0 |
| Leveraging | 10 | 10 | 10 |
| Community Revitalization Area | 5 | 5 | 0 |
| Site Amenities | 10 | 10 | 7.5 |
| 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 | 0 |
| Minimum Term of Restrictions (Competitive Allocation Process Only) | 10 | 10 | 0 |
| Negative Points (No Maximum) | -10 | -10 | 0 |
| Total Points | 140 | 120 | 87.5 |

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.