

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 15, 2017
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Felicity Wood

Applicant: Housing Authority of the City of San Diego

Allocation Amount Requested:

Tax-exempt: \$216,500,000

Project Information:

Name: Park & Market Apartments
Project Address: Northwest Corner of Park Boulevard & Market Street
Project City, County, Zip Code: San Diego, San Diego, 92101

Project Sponsor Information:

Name: Park & Market Development Partners, LP (NASH - Holland Park & Market GP, LLC and Affordable Housing Access) (affordable units); and Park & Market Apartments, LLC (NASH - Holland Park & Market Investors, LLC) (market rate units)

Principals: Koji Yamada, Fumiyasu Suguro, Clyde P. Holland, Jr., Thomas D. Warren and Mark Bates for NASH-Holland Park & Market GP, LLC, manager of NASH-Park & Market Investors, LLC; William W. Hirsch, Jonathan B. Webb, Hilda L. Jusuf and Jeffrey A.E. Zoldos for AHA Park & Market MGP, LLC

Property Management Company: Solari Enterprises, Inc.

Project Financing Information:

Bond Counsel: Squire Patton Boggs (US) LLP
Private Placement Purchaser: Not Applicable
Cash Flow Permanent Bond: Not Applicable
Public Sale: Credit Enhanced
Underwriter: Citi Community Capital
Credit Enhancement Provider: Bank of Tokyo-Mitsubishi UFJ/MUFG Union Bank
TEFRA Noticing Date: July 1, 2016
TEFRA Adoption Date: July 22, 2016

Description of Proposed Project:

State Ceiling Pool: Mixed
Total Number of Units: 426
Manager's Units: 1 Unrestricted
Type: New Construction
Population Served: Family

Park & Market Apartments is a new construction mixed-use, mixed-income project located in San Diego on a 1.2-acre site that encompasses an entire city block. The project will consist of 85 affordable rental units, 341 market rate units and 1 unrestricted manager unit. The project will include 101 studio units, 152 one-bedroom units, 126 two-bedroom units and 46 three-bedroom units. The building will consist of a 34-story tower of Type I construction over a four-level subterranean parking structure. 480 of the 617 total parking spaces will be reserved for tenants. Common amenities include a first-floor lobby with resident lounge, secure mailroom and bicycle storage, a second-floor outdoor space with landscaped deck, pet area and fitness center, and a 34th floor indoor sky lounge, pool deck and spa. Unit amenities will include stove/oven, refrigerator, dishwasher, central heating and air, balcony/patio and window blinds. Construction is expected to begin in June 2017 and to be completed June 2019.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 20%
20% (85 units) restricted to 50% or less of area median income households.
Unit Mix: Studio, 1, 2 & 3 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:	\$ 237,979,974	
Estimated Hard Costs per Unit:	\$ 410,710	(\$174,551,726 /425 units)
Estimated per Unit Cost:	\$ 558,638	(\$237,979,974 /426 units including mgr. unit)
Allocation per Unit:	\$ 509,412	(\$216,500,000 /425 units)
Allocation per Restricted Rental Unit:	\$ 2,547,059	(\$216,500,000 /85 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 216,500,000	\$ 216,500,000
LIH Tax Credit Equity	\$ 0	\$ 18,502,640
Developer Equity	\$ 21,479,974	\$ 2,977,334
Total Sources	\$ 237,979,974	\$ 237,979,974

Uses of Funds:	
Land Cost/Acquisition	\$ 9,151,873
New Construction	\$ 164,265,667
Contractor Overhead & Profit	\$ 10,286,059
Architectural Fees	\$ 6,250,000
Construction Interest and Fees	\$ 13,290,757
Permanent Financing	\$ 2,933,683
Legal Fees	\$ 4,345,782
Reserves	\$ 3,763,656
Hard Cost Contingency	\$ 1,710,802
Local Development Impact Fees	\$ 8,290,007
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 6,479,970
Developer Costs	\$ 7,211,718
Total Uses	\$ 237,979,974

Analyst Comments:

The project has a high cost per unit. The primary reasons are an unusually high density of dwelling units per acre, unique programmatic requirements mandated by the City of San Diego, use of prevailing wage rates during construction and utilization of Type I building construction methods.

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:

41 out of 120

[See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$216,500,000 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	Points Scored
Preservation Project	20	20	0
Exceeding Minimum Income Restrictions:	35	15	6
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	0
Community Revitalization Area	5	5	0
Site Amenities	10	10	10
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	41

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.