

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
September 20, 2017
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 |
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| Allocation Amount Requested: | Tax-exempt: \$20,000,000 |
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| Project Information: | Name: Luther Tower Apartments |
| | Project Address: 1455 Second Avenue |
| | Project City, County, Zip Code: San Diego, San Diego, 92101 |

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| Project Sponsor Information: | Name: Tower Housing Partners, LP (Tower Housing Management LLC and Alpha Project) |
| | Principals: David Beacham, Casey Haeling and Colin Rice for Tower Housing Management LLC; Bob McElroy and Robb Lally for Alpha Project |
| | Property Management Company: Royal Property Management Group, Inc. |

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| Project Financing Information: | Bond Counsel: Orrick, Herrington & Sutcliffe 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: June 8, 2017 |
| | TEFRA Adoption Date: June 27, 2017 |

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| Description of Proposed Project: | State Ceiling Pool: General |
| | Total Number of Units: 200 |
| | Manager's Units: 2 Unrestricted |
| | Type: Acquisition and Rehabilitation |
| | Population Served: Family |

Luther Tower Apartments is an existing project located in San Diego on a 0.57-acre site. The project consists of 198 restricted rental units and 2 unrestricted managers' units. The project has 108 studio units, 90 one-bedroom units and 2 two-bedroom units. The renovations will include building exterior and interior upgrades. Building exterior renovations will consist of complete reroofing of the building, window replacements, repairs to railings, elevator(s) and boilers. Individual apartment units will be updated with new kitchens and baths, new flooring and new appliances. The rehabilitation is expected to begin in November 2017 and completed in October 2018.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
10% (20 units) restricted to 50% or less of area median income households.
90% (178 units) restricted to 60% or less of area median income households.
Unit Mix: Studio & 1 bedroom

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: \$ 29,175,000
Estimated Hard Costs per Unit: \$ 43,162 (\$8,632,370 /200 units including mgr. units)
Estimated per Unit Cost: \$ 145,875 (\$29,175,000 /200 units including mgr. units)
Allocation per Unit: \$ 100,000 (\$20,000,000 /200 units including mgr. units)
Allocation per Restricted Rental Unit: \$ 101,010 (\$20,000,000 /198 restricted units)

| Sources of Funds: | Construction | Permanent |
|--------------------------|----------------------|----------------------|
| Tax-Exempt Bond Proceeds | \$ 20,000,000 | \$ 20,000,000 |
| LIH Tax Credit Equity | \$ 8,025,000 | \$ 8,025,000 |
| Developer Equity | \$ 1,150,000 | \$ 0 |
| Deferred Developer Fee | \$ 0 | \$ 1,150,000 |
| Total Sources | \$ 29,175,000 | \$ 29,175,000 |

| Uses of Funds: | |
|---|----------------------|
| Land Cost/Acquisition | \$ 9,000,000 |
| Rehabilitation | \$ 9,240,953 |
| Relocation | \$ 230,000 |
| Contractor Overhead & Profit | \$ 690,589 |
| Architectural Fees | \$ 200,000 |
| Survey and Engineering | \$ 50,000 |
| Construction Interest and Fees | \$ 366,537 |
| Permanent Financing | \$ 417,500 |
| Legal Fees | \$ 260,000 |
| Reserves | \$ 4,011,000 |
| Appraisal | \$ 7,500 |
| Hard Cost Contingency | \$ 985,000 |
| Other Project Costs (Soft Costs, Marketing, etc.) | \$ 715,921 |
| Developer Costs | \$ 3,000,000 |
| Total Uses | \$ 29,175,000 |

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:

54 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$20,000,000 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 | 25 |
| 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 | 0 |
| Service Amenities | 10 | 10 | 0 |
| New Construction or Substantial Renovation | 10 | 10 | 10 |
| Sustainable Building Methods | 10 | 10 | 4 |
| 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 | 54 |