

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
October 16, 2019
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Sarah Lester

Applicant:	Housing Authority of the City of San Diego
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Allocation Amount Requested:	Tax-exempt: \$24,000,000
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Project Information:	Name: East Block Family Apartments
	Project Address: 4340 44th Street
	Project City, County, Zip Code: San Diego, San Diego, 92115

Project Sponsor Information:	Name: Fairmount Family Housing CIC, LP (Fairmount and El Cajon Realty, LLC and CIC Fairmount Family Housing, LLC)
	Principals: Robert E. Price, Allison Price, Sherry S. Bahrambeygui, Jeff Fisher, Sophie Bernabe and Jennette Lawrence Shay for Fairmount and El Cajon Realty, LLC; James J. Schmid, Cheri Hoffman, Charles Schmid, Tim Gray, and Lynn Harrington Schmid for CIC Fairmount Family Housing, LLC
	Property Management Company: CIC Management, Inc.

Project Financing Information:	Bond Counsel: Quint & Thimmig 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: July 16, 2019
	TEFRA Adoption Date: August 5, 2019

Description of Proposed Project:	State Ceiling Pool: General
	Total Number of Units: 78
	Manager's Units: 1 Unrestricted
	Type: New Construction
	Population Served: Family

East Block Family Apartments is a new construction project located in San Diego on a 252,302 square foot site. The project will consist of 77 restricted rental units and 1 unrestricted manager unit. The project will have 33 two-bedroom units and 45 three-bedroom units. The building will be a five-story elevator-served building. Common amenities will include a large community room, laundry facilities, community garden, outdoor BBQ & picnic area and a playground. Each unit will have a refrigerator, cable TV/phone connection, pre-wire internet, central heating and all electric appliances. There will be 78 parking spaces provided. The construction is expected to begin January 2020 and be completed in December 2021.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

10% (8 units) restricted to 50% or less of area median income households.

90% (69 units) restricted to 60% or less of area median income households.

Unit Mix: 2 & 3 bedrooms

The proposed project will not be receiving service amenity points.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 41,390,183	
Estimated Hard Costs per Unit:	\$ 300,564	(\$23,443,998 /78 units including mgr. unit)
Estimated per Unit Cost:	\$ 530,643	(\$41,390,183 /78 units including mgr. unit)
Allocation per Unit:	\$ 307,692	(\$24,000,000 /78 units including mgr. unit)
Allocation per Restricted Rental Unit:	\$ 311,688	(\$24,000,000 /77 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 24,000,000	\$ 10,990,000
LIH Tax Credit Equity	\$ 1,601,165	\$ 16,116,647
Subordinate Deferred Developer Fee	\$ 0	\$ 2,678,980
Priority Deferred Developer Fee	\$ 0	\$ 317,056
Deferred Costs	\$ 4,396,518	\$ 0
County of San Diego IHTF Program	\$ 4,500,000	\$ 4,500,000
Sub Loan Accrued/Deferred interest	\$ 787,500	\$ 787,500
Fairmount & El Cajon Realty LLC/MGP	\$ 6,000,000	\$ 6,000,000
Total Sources	\$ 41,285,183	\$ 41,390,183

Uses of Funds:	
Land Cost/Acquisition	\$ 10,010
New Construction	\$ 24,850,638
Contractor Overhead & Profit	\$ 1,875,520
Architectural Fees	\$ 1,426,330
Survey and Engineering	\$ 393,310
Construction Interest and Fees	\$ 2,955,714
Permanent Financing	\$ 67,500
Legal Fees	\$ 390,000
Reserves	\$ 293,033
Appraisal	\$ 10,000
Hard Cost Contingency	\$ 1,494,415
Local Development Impact Fees	\$ 1,956,329
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 488,404
Developer Costs	\$ 5,178,980
Total Uses	\$ 41,390,183

Analyst Comments:

This project is considered a high cost per unit project. According to the application, the factors contributing to the high cost per unit is that the development is within a large 5-story building above a concrete semi-subterranean parking podium. The application states that this structure requires substantial excavation and shoring resulting in higher construction costs. The application further states that the mix of two- and three-bedroom units results in a higher cost per unit.

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:

76.7 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$24,000,000 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
Large Family Units	5	5	5
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	9
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	76.7