

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
September 18, 2013
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Sarah Lester

Applicant: City and County of San Francisco

Allocation Amount Requested:
Tax-exempt: \$22,000,000

Project Information:
Name: Tenderloin Family Housing Apartments
Project Address: 201 Turk Street
Project City, County, Zip Code: San Francisco, San Francisco, 94102

Project Sponsor Information:
Name: Tenderloin Family Housing, LP (Tenderloin Family Housing LLC)
Principals: Rev. Norman Fong
Property Management Company: Chinatown Community Development Center

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Union Bank, N.A.
TEFRA Hearing Date: May 1, 2012

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 174, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

The proposed project is an existing mixed-use 175 unit housing development for low-income families located in the City and County of San Francisco. The site is approximately 37,812 square feet. It is a nine-story building originally completed in 1993. It is comprised of a mix of 12 studios, 81 one-bedroom, 45 two-bedroom and 37 three-bedroom apartments. The proposed project is expected to achieve a comprehensive renovation of the building and its systems. At the ground floor, an underutilized area behind the main elevators will be enclosed to create a furnished toddler room for tenant use. Also, currently underutilized space around the elevator lobbies at floors 6-8 will be enclosed and turned into five new community rooms. These new gathering spaces will be intended for a variety of possible uses: classes, library, computing, exercise, music, etc. On the upper floors, nine (9) units will be reconfigured to be accessible to people with physical disabilities and/or hearing and visual impairments. All units will be upgraded with new kitchen appliances, countertops, and where needed, new cabinets. Unit bathrooms will be provided with new sinks and vanities and other improvements. New flooring and paint will also be provided in all units.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

41% (71 units) restricted to 50% or less of area median income households.

59% (103 units) restricted to 60% or less of area median income households.

Unit Mix: Studio, 1, 2 & 3 bedrooms

The proposed project will provide instructor-led educational, health and wellness or skill building classes for a minimum of 84 hours per year.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 42,615,677	
Estimated Hard Costs per Unit:	\$ 43,818	(\$7,624,280 /174 units)
Estimated per Unit Cost:	\$ 244,918	(\$42,615,677 /174 units)
Allocation per Unit:	\$ 126,437	(\$22,000,000 /174 units)
Allocation per Restricted Rental Unit:	\$ 126,437	(\$22,000,000 /174 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 22,000,000	\$ 0
Taxable Bond Proceeds	\$ 0	\$ 11,034,590
Developer Equity	\$ 1,395	\$ 1,395
LIH Tax Credit Equity	\$ 2,786,804	\$ 13,934,021
Direct & Indirect Public Funds: Existing RHCP	\$ 14,401,073	\$ 14,401,073
Direct & Indirect Public Funds: Existing City Loan	\$ 1,024,803	\$ 1,024,803
Other (Chinatown CDC Cash Loan [reserves])	\$ 1,531,950	\$ 1,531,950
Other: Income from Operations	\$ 0	\$ 687,846
Total Sources	\$ 41,746,025	\$ 42,615,678

Uses of Funds:	
Acquisition/Land Purchase	\$ 24,789,750
On & Off Site Costs	\$ 472,723
Hard Construction Costs	\$ 7,151,557
Architect & Engineering Fees	\$ 956,255
Contractor Overhead & Profit	\$ 354,643
Developer Fee	\$ 2,500,000
Relocation	\$ 952,008
Cost of Issuance	\$ 283,500
Capitalized Interest	\$ 556,130
Other Soft Costs (Marketing, etc.)	\$ 2,843,048
Other: Contractor Insurance	\$ 91,024
Other: Contingencies - Bid & Hard Cost	\$ 1,640,040
Other: Exploratory Demo - By Owner	\$ 25,000
Total Uses	\$ 42,615,678

Description of Financial Structure and Bond Issuance:

The financial structure for the proposed project will be a private placement transaction provided by Union Bank, N.A. (the "Bank"). The Bank will directly purchase the bonds and advance bonds on a "draw down" basis over the course of construction. The construction period will be for a term of 18-months. The Loan will bear interest at 100% of the 30-day LIBOR rate plus 1.50% (with no floor), computed on a 360 day year but for the actual number of days outstanding. The permanent loan period will be 25 years amortized over 30 years. The amount of the permanent loan shall not exceed \$8,464,000. The interest swap rate from the Bank at the time of the commitment letter was 5.82% comprised of 3.82% swap rate plus 200 basis points. The bonds will be issued by the City and County of San Francisco.

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: 72.5 out of 130
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$22,000,000 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
Federally Assisted At-Risk Project or HOPE VI Project	20	20	0
Exceeding Minimum Income Restrictions:	35	15	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project]	[10]	[10]	10
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	7.5
Service Amenities	10	10	5
New Construction	10	10	0
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
Total Points	130	100	72.5

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.