

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 18, 2016
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: \$29,425,000

Project Information:
Name: 1760 Bush Apartments
Project Address: 1760 Bush Street
Project City, County, Zip Code: San Francisco, San Francisco, 94109

Project Sponsor Information:
Name: 1760 Bush, LP (KSCo CA Corridor, Mercy Housing Calwest; and Japanese American Religious Federation Housing Inc.)
Principals: Jack D. Gardner for JSCo CA Corridor, LLC, Doug Shoemaker for Mercey Housing Calwest and Will Tsukamoto for Japanese American Religious Federation Housing, Inc.
Property Management Company: John Stewart Company

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Bank of America, N.A./Freddie Mac
TEFRA Noticing Date: October 16, 2015
TEFRA Adoption Date: December 1, 2015

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 107, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

The proposed project consists of 108 existing public housing units located on 0.49 acres at 1760 Bush Street in the City of San Francisco. The project is located in the Pacific Heights neighborhood of San Francisco. The front of the building rising 7 stories and the back of the building only rising 6 stories. It is a concrete building serviced by two elevators and includes approximately 74,740 square feet of gross floor area, including 63,040 square feet of residential area as well as nearly 6,352 square feet of common and 5,348 square feet of garage area. The residential unit distribution, which will include one 1-bedroom superintendent unit, is: 83 studios units, 24 1-bedroom units, and one 2-bedroom unit. The scope of work for the rehabilitation of 1760 Bush Street will include: Provide vestibule entry for security; remodel existing community room and library; necessary repairs to elevator system; fire systems and life safety upgrades including adding sprinklers; accessibility upgrades; replace roofing system; necessary upgrades to the plumbing, HVAC, and electrical systems; interior unit upgrades to the kitchens, bathrooms and flooring; asbestos removal; and limited external site work. The expected construction start date is September 2016 with a completion date of November 2017.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 97%

97% (104 units) restricted to 50% 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: | \$ 50,173,832 | |
| Estimated Hard Costs per Unit: | \$ 115,022 | (\$12,307,384 /107 units) |
| Estimated per Unit Cost: | \$ 468,914 | (\$50,173,832 /107 units) |
| Allocation per Unit: | \$ 275,000 | (\$29,425,000 /107 units) |
| Allocation per Restricted Rental Unit: | \$ 282,933 | (\$29,425,000 /104 restricted units) |

The Project has total project costs of \$468,914 that appear high for the geographic area in which it is located.

| Sources of Funds: | <u>Construction</u> | <u>Permanent</u> |
|---|----------------------|----------------------|
| Tax-Exempt Bond Proceeds | \$ 29,425,000 | \$ 7,713,000 |
| Seller Carryback Note SFHA | \$ 16,569,984 | \$ 16,569,984 |
| Accrued/Deferred interest | \$ 615,023 | \$ 615,023 |
| LIH Tax Credit Equity | \$ 870,286 | \$ 19,685,725 |
| SHFA Loan | \$ 0 | \$ 3,126,500 |
| Cost Deferred until Completion | \$ 1,012,948 | \$ 283,010 |
| Deferred Developer Fee | \$ 1,680,590 | \$ 1,680,590 |
| GP Capital Contribution | \$ 0 | \$ 500,000 |
| Total Sources | \$ 50,173,831 | \$ 50,173,832 |
| | | |
| Uses of Funds: | | |
| Land Cost/Acquisition | \$ 21,310,000 | |
| Title/Recording/Escrow/Transfer | \$ 582,750 | |
| Rehabilitation | \$ 13,657,384 | |
| Relocation | \$ 600,000 | |
| Architectural Fees | \$ 1,025,000 | |
| Survey & Engineering | \$ 100,000 | |
| Construction Interest & Fees | \$ 2,477,657 | |
| Permanent Financing | \$ 10,000 | |
| Legal Fees | \$ 135,000 | |
| Reserves | \$ 2,067,057 | |
| Appraisal | \$ 6,000 | |
| Contingency Costs | \$ 2,652,477 | |
| Other Project Costs (Soft Costs, Marketing, etc.) | \$ 1,318,950 | |
| Developer Costs | \$ 4,231,557 | |
| Total Uses | \$ 50,173,832 | |

Description of Financial Structure and Bond Issuance:

The financial structure for the proposed project is a private placement transaction provided by the Bank of America, N.A. which will convey the facility to the Federal Home Loan Mortgage Corporation (Freddie Mac) at conversion. During the construction financing phase the loan term will be for 18 months with a variable interest rate of 2.23% . During the permanent financing phase, the loan term will be for 18 years with an amortization period of 35 years at a fixed rate of 4.11%. The bonds will be issued by the City and County of San Francisco.

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: 77.5 out of 140

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$29,425,000 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 | 0 |
| 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 | 77.5 |

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.