

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: Louise Eller

Applicant:	City and County of San Francisco
Allocation Amount Requested:	
	Tax-exempt: \$325,000,000
Project Information:	
	Name: 1500 Mission Street ("Goodwill") Apartments
	Project Address: 1500 Mission Street
	Project City, County, Zip Code: San Francisco, San Francisco, 94103
Project Sponsor Information:	
	Name: 1500 Mission Housing Partners, LP (1500 Mission Development Co., LLC and TBD LLC) (affordable units); and 1500 Mission Urban Housing, LLC (Related California Residential, LLC) (market rate units)
	Principals: Jeff T. Blau, Bruce A. Beal, Jr., Michael J. Brenner, Richard O'Toole, Jennifer McCool and Eugene Angelo for 1500 Mission Development Co., LLC; Donald S. Falk for TBD LLC; Gregory Vilken, Michael Brenner, Kenneth Wong, Jeff Blau and Bruce A Beal for Related California Residential, LLC
	Property Management Company: Related Management Company
Project Financing Information:	
	Bond Counsel: Jones Hall, A Professional Law Corporation
	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: April 14, 2017
	TEFRA Adoption Date: July 11, 2017
Description of Proposed Project:	
	State Ceiling Pool: Mixed
	Total Number of Units: 550
	Manager's Units: 2 Unrestricted
	Type: New Construction
	Population Served: Family

1500 Mission Street ("Goodwill") Apartments is a new construction project located in San Francisco on a 2.5-acre site. The project consists of 110 restricted rental units, 438 market rate units and 2 unrestricted managers' units. The project will have 197 studio units, 146 one-bedroom units, 195 two-bedroom units and 12 three-bedroom units. The building will be a 39-story residential tower. The project will incorporate Type I steel and concrete construction over a 2-level subterranean parking facility. The residential tower and podium facade will be clad in a window-wall and precast system with integrated operable windows for natural ventilation. Common amenities include BBQ grills, large community rooms, a fitness center, pool deck and a resident community garden. Each unit will have gas ranges, Energy Star appliances including dishwashers and refrigerators. The project will be pursuing a LEED Silver certification. The construction is expected to begin October 2017 and completed in December 2019.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 20%
20% (110 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:	\$ 475,000,000	
Estimated Hard Costs per Unit:	\$ 478,512	(\$263,181,341 /550 units including mgr. units)
Estimated per Unit Cost:	\$ 863,636	(\$475,000,000 /550 units including mgr. units)
Allocation per Unit:	\$ 590,909	(\$325,000,000 /550 units including mgr. units)
Allocation per Restricted Rental Unit:	\$ 2,954,545	(\$325,000,000 /110 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 325,000,000	\$ 325,000,000
Taxable Bond Proceeds	\$ 149,568,267	\$ 124,850,152
LIH Tax Credit Equity	\$ 0	\$ 25,149,848
Deferred Operating Reserve	\$ 431,733	\$ 0
Total Sources	\$ 475,000,000	\$ 475,000,000

Uses of Funds:	
Land Cost/Acquisition	\$ 39,564,597
New Construction	\$ 263,181,342
Contractor Overhead & Profit	\$ 5,273,017
Architectural Fees	\$ 9,158,765
Survey and Engineering	\$ 7,353,326
Construction Interest and Fees	\$ 61,165,574
Legal Fees	\$ 225,000
Reserves	\$ 431,733
Appraisal	\$ 50,000
Hard Cost Contingency	\$ 17,071,031
Local Development Impact Fees	\$ 29,925,449
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 19,337,708
Developer Costs	\$ 22,262,459
Total Uses	\$ 475,000,000

Analyst Comments:

This project is considered a high cost per unit project. The project is Type I concrete construction which is more expensive than Type V wood-frame development and the project is a high rise project with certain structural requirements. In addition, the project is comprised of a residential component as well as below-grade parking structure, amenity space and retail space – combined 23% of the project. The land cost is another factor with the project being constructed in San Francisco's mid-market neighborhood. Lastly, the bay area construction boom is adding to costs. With the number of projects currently under construction in this area, the limited availability of subcontractors is causing an increase in pricing.

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:

51 out of 120 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$325,000,000 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	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	10
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	51