

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**September 16, 2015**  
**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:** City and County of San Francisco

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**Allocation Amount Requested:**  
**Tax-exempt:** \$38,633,000

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**Project Information:**  
**Name:** 990 Pacific Apartments  
**Project Address:** 990 Pacific Avenue  
**Project City, County, Zip Code:** San Francisco, San Francisco, 94133

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**Project Sponsor Information:**  
**Name:** Pacific Avenue, LP (Chinatown Public Housing, LLC)  
**Principals:** Norman Fong, Cindy Wu, Susie Wong and Amy Chung  
**Property Management Company:** Chinatown Community Development Center

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**Project Financing Information:**  
**Bond Counsel:** Squire Patton Boggs (US) LLP  
**Underwriter:** Not Applicable  
**Credit Enhancement Provider:** Not Applicable  
**Private Placement Purchaser:** Bank of America, N.A.  
**TEFRA Adopted Date:** April 14, 2015

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 91, plus 1 manager unit  
**Type:** Acquisition and Rehabilitation  
**Type of Units:** Senior Citizens/Special Needs

The proposed project is an existing 92-unit housing development for low-income seniors and people with disabilities located in City of San Francisco. The project was built in 1969 and consists of one 7-story concrete high-rise structure. The development is situated on a 18,422 square foot (.423 acre) lot. It contains 31,295 sq. ft. of residential space. The gross square footage of the building, exclusive of the courtyard, is 68,875 sq. ft. The 91 units are restricted to low-income seniors and people with disabilities, who pay no more than 30% of their income in rent. The building includes a mix of studios and one-bedrooms to accommodate individuals and couples. The rehabilitation of the project is expected to begin in November of 2015 and be completed in July of 2017. The primary scope of work will include: building envelop repairs, life safety and accessibility improvements, apartment improvements, building systems upgrades (elevator and electrical) and replacement of hydronic heat system and radiant heaters. common areas. accessibility and green retrofits.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%  
100% (91 units) restricted to 50% or less of area median income households.  
**Unit Mix:** Studio & 1 bedroom

No service amenities will be provided in the proposed project.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

<b>Estimated Total Development Cost:</b>	\$	67,390,433
<b>Estimated Hard Costs per Unit:</b>	\$	348,152 (\$31,681,867 /91 units)
<b>Estimated per Unit Cost:</b>	\$	740,554 (\$67,390,433 /91 units)
<b>Allocation per Unit:</b>	\$	424,538 (\$38,633,000 /91 units)
<b>Allocation per Restricted Rental Unit:</b>	\$	424,538 (\$38,633,000 /91 restricted units)

The Project has total project costs of \$740,554 that appear high for the geographic area in which it is located. Please see "Analyst Comments" below.

<b>Sources of Funds:</b>	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 38,633,000	\$ 6,746,000
Developer Equity	\$ 0	\$ 500,000
LIH Tax Credit Equity	\$ 2,918,137	\$ 30,081,372
Direct & Indirect Public Funds	\$ 24,638,324	\$ 28,989,348
Other (Costs Def. Until Conv./ Accrued deferred interest)	\$ 1,200,972	\$ 1,073,713
<b>Total Sources</b>	<b>\$ 67,390,433</b>	<b>\$ 67,390,433</b>
<b>Uses of Funds:</b>		
Acquisition/Land Purchase	\$ 18,428,500	
Hard Construction Costs	\$ 26,175,060	
Architectural Fees	\$ 2,227,068	
Survey & Engineering	\$ 189,580	
Contractor Overhead & Profit	\$ 1,358,974	
Developer Fee	\$ 2,500,000	
Relocation	\$ 4,371,833	
Cost of Issuance	\$ 399,112	
Legal Fees	\$ 105,000	
Construction & Permanent Financing	\$ 3,170,634	
Contingency Cost	\$ 5,506,807	
Reserves	\$ 1,597,640	
Other Soft Costs (Third Party Reports, Furnishing, Marketing, etc.)	\$ 1,360,225	
<b>Total Uses</b>	<b>\$ 67,390,433</b>	

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**Description of Financial Structure and Bond Issuance:**

The financial structure for the proposed project will be a private placement transaction provided by Bank of America, N.A. (the "Bank") for both construction and permanent financing. During the construction phase, the loan term will be for 30 months. The interest rate will be a LIBOR floating indicative rate of 1.70%. During the permanent financing phase, the loan term will be for 17 years with an amortization period of 35 years. The interest rate will be a fixed indicative rate equal to the sum of 4.13%. The bonds will be issued by the City and County of San Francisco.

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**Analyst Comments:**

990 Pacific Avenue is part of the San Francisco Housing Authority's (SFHA) Public Housing Portfolio. The San Francisco Housing Authority currently owns the property and acts as the project's property management agent. Through a competitive RFP process, the City of San Francisco and the SFHA selected Chinatown Community Development Center ("Chinatown CDC") to rehabilitate the site and become its property management agent and resident service provider as part of the Department of Housing and Urban Development's Rental Assistance Demonstration (RAD) Program. The building will be owned by Pacific Avenue, L.P., of which the managing general partner, Chinatown Public Housing, LLC, is a Chinatown CDC affiliate. Pacific Avenue, L.P., has executed an option to enter into a long-term ground lease with the SFHA

**High Cost Explanation:**

The inclusion of the non-RAD Section 8 units at the SFHA payment standard generates substantial income, which causes the valuation under this approach to be very robust.

Increased costs for labor and supplies. Annual escalation from the beginning of the RAD Phase I schematic design estimates to the final bids was approximately 10-12% with some of the larger and key trades such as

SFHA has been out of compliance with Section 504/accessibility requirements and all sites must create accessible units, including units for vision- and hearing-impaired individuals. In some cases this requires significant reconfiguration of unit floorplans, relocation of major systems through concrete slabs, new ramps, automatic door systems. etc.

990 Pacific. This building is a collapse risk and requires \$8 million in rehab to achieve a Probably Maximum Loss report score of under 20 as required by tax credit investors.

Prevailing wages (HUD)

Local Business Enterprise/Small Business Enterprise hiring goals (SF) – City policy requires outreach to small subcontractor and professional services firms

Minimum wage ordinance (SF) – affects back office and admin staff

Section 3 (HUD and SFHA) – 30% of new hires must be disadvantaged workers; monitored by City and HUD

Resident hiring program (SFHA) – 25% of the construction workforce hours must be completed by public housing residents

Project Labor Agreement (SFHA) – To ensure labor peace during the construction period, SFHA negotiated a PLA with the Building Trades Council to offset the permanent loss of unionized jobs through the RAD conversion. The PLA results in additional costs and impacts to the construction budgets. For example, all non-union subcontractors must pay into the union pension fund on behalf of their workers; subs must hire their workers from the hiring hall rather than use their own workforce; all bidding documents must be made available to the building trades council online and in hard copy. As a result, many subcontractors (even union) choose not to bid on these RAD PLA projects since there is ample, less regulated work elsewhere in the Bay Area at this time, which led to thin subcontractor bid coverage, and drives up project costs. Those who did bid were more likely to hedge their productivity and cost risk by increasing their bids. The PLA requirements may have added an additional 6% to the construction costs for each budget

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**Analyst Comments: (contd.)**

Relocation. Stemming from the RAD projects' costly construction scopes is an extensive relocation need. 100% of the residents of the 1,422 RAD Phase I units will need to be temporarily relocated, mostly in short phases, during construction periods ranging from 15 to 24 months. Low vacancy rates across the SFHA projects, particularly those serving seniors and disabled people, mean that opportunities for on-site relocation are limited; as a result most developers must find units in San Francisco's world-famous rental market known for low vacancy rates and high rents. While MOHCD, SFHA and RAD developers have pooled housing resources and sought creative solutions to the relocation conundrum, the volume of RAD units all with the same construction and relocation schedule, compounded by the SF rental vacancy rate of less than 2%, conspire to add heavy costs to the RAD projects.

At 990 Pacific, the average resident is 85 years old and half are frail and require in home supportive services. Many are mono-lingual and mono-cultural Chinese and rely on the Chinatown community for all of their medical, nutritional and social needs. Because of the project's extensive seismic scope of work (see above), all 92 residents will have to relocate for at least 11 months. Moving these households out of the neighborhood is not an option, but Chinatown is notoriously overcrowded, with few units turning over. This project currently has a \$5 million relocation budget.

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**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.

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**Total Points:** 67.5 out of 130

[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$38,633,000 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	0
New Construction	10	10	0
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
<b>Total Points</b>	<b>130</b>	<b>100</b>	<b>67.5</b>

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.