

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: \$41,640,000

Project Information:

Name: 350 Ellis Apartments
Project Address: 350 Ellis Street
Project City, County, Zip Code: San Francisco, San Francisco, 94102

Project Sponsor Information:

Name: Ellis 350 Associates, LP (Ellis 350 GP LLC)
Principals: Donald S. Falk, Paul Sussman and Elizabeth Orlin
Property Management Company: Tenderloin Neighborhood Development Corporation (TNDC)

Project Financing Information:

Bond Counsel: Jones Hall, A Professional Law Corporation
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: 96, plus 0 manager units
Type: Acquisition and Rehabilitation
Type of Units: Family

The proposed project is an existing development located in the heart of the Tenderloin District. It consists of 96 units existing public housing units located at 350 Ellis Street in the City of San Francisco. The project is being rehabilitated as part of a Citywide program under which public housing units currently owned and operated by the San Francisco Housing Authority (SFHA) will convert to the Rental Assistance Demonstration (RAD) program. Under RAD, 3,584 units of public housing in 29 different projects will convert in two phases 350 Ellis Street will include approximately 59,101 square feet of gross floor area, including 52,477 square feet of residential area as well as nearly 6,624 square feet of common area including lobby and community room, resident lounge, laundry room, manager and service coordinator offices, public restrooms, and maintenance rooms. The residential unit distribution is: 72 Studio units; and 24 1-bedroom units. All of the residential units will serve households earning less than 50 percent of the San Francisco County Area Median Income (AMI). The scope of work for the rehabilitation at the project will include: Accessibility upgrades, ground floor addition and renovation of existing spaces for Community Room, property management and service coordinators offices, laundry room, elevator modernization, roof replacement, exterior window replacement and new exterior skin, addition of fire sprinkler system and replacement of existing ground floor storefront windows. The site rehabilitation work will be completed over a twenty nine month period with households temporarily relocated for approximately seventeen weeks during each phase of the work. All construction is expected to be completed by March 2019.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (96 units) restricted to 50% or less of area median income households.
Unit Mix: Studio & 1 bedroom

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:	\$	68,784,987	
Estimated Hard Costs per Unit:	\$	257,541	(\$24,723,926 /96 units)
Estimated per Unit Cost:	\$	716,510	(\$68,784,987 /96 units)
Allocation per Unit:	\$	433,750	(\$41,640,000 /96 units)
Allocation per Restricted Rental Unit:	\$	433,750	(\$41,640,000 /96 restricted units)

The Project has total project costs of \$716,510 that appear high for the geographic area in which it is located.

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 41,640,000	\$ 10,095,000
SFHA Seller Carryback Loan	\$ 16,475,000	\$ 16,475,000
SFHA Perm Loan	\$ 0	\$ 1,000,000
Accrued/Deferred Interest	\$ 1,258,965	\$ 1,258,965
Deferred Developer Fee	\$ 2,790,917	\$ 2,790,917
SF MOHCD Gap Loan	\$ 4,000,000	\$ 1,575,259
SF MOHCD Predev/Perm Loan	\$ 0	\$ 4,000,000
LIH Tax Credit Equity	\$ 0	\$ 31,089,846
LP Equity	\$ 1,560,492	\$ 0
GP Equity	\$ 0	\$ 500,000
Total Sources	\$ 67,725,374	\$ 68,784,987
Uses of Funds:		
Land Cost/Acquisition	\$ 17,475,000	
Transfer Tax	\$ 436,875	
Rehabilitation	\$ 29,125,625	
Relocation	\$ 1,920,971	
Architectural Fees	\$ 1,632,805	
Survey & Engineering	\$ 286,420	
Construction Interest & Fees	\$ 5,346,813	
Permanent Financing	\$ 30,000	
Legal Fees	\$ 140,000	
Reserves	\$ 1,260,470	
Appraisal	\$ 11,500	
Contingency Cost	\$ 4,356,443	
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 1,471,148	
Developer Costs	\$ 5,290,917	
Total Uses	\$ 68,784,987	

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 30 months (plus one 6-month extension option) with a variable interest rate to LIBOR Daily Floating Rate of 0.43% plus a spread of 1.80% for an indicative 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 equal to the 10-year Treasury Security of 1.82% plus a spread of 2.53% for an indicative rate of 4.35%. 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: 79.5 out of 140

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$41,640,000 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	2
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	79.5

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.