

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 18th, 2016
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Richard Fischer

Applicant: City and County of San Francisco

Allocation Amount Requested:
Tax-exempt: \$47,497,000

Project Information:
Name: Westside Courts Apartments (RAD)
Project Address: 2501 Sutter Street
Project City, County, Zip Code: San Francisco, San Francisco, 94115

Project Sponsor Information:
Name: Westside Courts Housing Partners, L.P. (Related/Westside Courts Development Co., LLC and Tabernacle Community Development Corporation)
Principals: Frank Cardone, William A. Witte, and Steve Sherman for Related/Westside Courts Development Co., LLC; Rev. Donald Green, Rev. Edgar Boyd, Rev. Calvin Jones, Rev. James McCray, Jr. for Tabernacle Community Development Corporation.
Property Management Company: Related Management Company

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 Noticing Date: October 16, 2015
TEFRA Adoption Date: December 9, 2015

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 134, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

Originally built in 1943, the complex has 6 three-story buildings consisting of 83 one bedroom units with 520 square feet, 24 two-bedroom units with 755 square feet, 20 three-bedroom units with 910 square feet and 8 four-bedroom units with 1,050 square feet; additionally there is 1 two-bedroom unit designated for onsite management. The facility has a management office and community space, as well as a laundry room. Modernization scope includes new furnaces, new bathroom and kitchen ventilation, plumbing replacements, electrical and security component replacements throughout the buildings, along with accessibility, life safety, and finishes improvements. Renovate a minimum of 5% of the apartments to be fully accessible per California Title 24, with a minimum of 4% apartments that are Visual and Hearing Accessible. Rehabilitation of the 136 units includes conversion of 7 existing ground floor flat units to Mobility (accessible) units with associated paths of travel, 6 units will be provided with Communication features, all remaining ground floor flat units will become Partially Adaptable. There will be 13 total accessible apartments consisting of (4) accessible one bedroom flats, (2) accessible three bedroom flats, and (1) accessible four-bedroom flat. Six (6) other apartments will be renovated for visual or hearing accessibility. Physically accessible apartments will receive new bathrooms and kitchens with accessible features.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 98%
98% (131 units) restricted to 50% or less of area median income households.
Unit Mix: 1, 2, 3 & 4 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:	\$ 82,155,760	
Estimated Hard Costs per Unit:	\$ 186,373	(\$24,974,038 /134 units)
Estimated per Unit Cost:	\$ 613,103	(\$82,155,760 /134 units)
Allocation per Unit:	\$ 354,455	(\$47,497,000 /134 units)
Allocation per Restricted Rental Unit:	\$ 362,573	(\$47,497,000 /131 restricted units)

The Project has total project costs that appear high for the geographic area in which it is located. According to the Project sponsor, the high cost is due to City and County of San Francisco's mandates, Lead-impacted soil and six separate buildings.

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 47,497,000	\$ 15,049,000
SFHA Seller Carryback Loan (2.62%)	\$ 26,920,000	\$ 26,920,000
SF MOHCD Gap Loan (0%)	\$ 0	\$ 1,604,280
LIH Tax Credit Equity	\$ 1,676,655	\$ 33,433,097
Deferred Developer Fee	\$ 3,616,702	\$ 3,616,702
General Partner Capital Contribution	\$ 0	\$ 63,298
Accrued/ Deferred Interest	\$ 1,469,383	\$ 1,469,383
Total Sources	\$ 81,179,740	\$ 82,155,760
Uses of Funds:		
Land Cost/Acquisition	\$ 27,623,000	
Rehabilitation	\$ 29,029,049	
Relocation	\$ 1,756,896	
Architectural Fees	\$ 1,124,000	
Survey & Engineering	\$ 295,500	
Construction, Interest and Fees	\$ 4,548,572	
Permanent Financing	\$ 20,000	
Legal Fees	\$ 88,000	
Reserves	\$ 2,435,513	
Appraisal	\$ 25,000	
Contingency Cost	\$ 5,925,810	
Services Plan & Res. Engmnt.+ Addtl Services	\$ 1,105,128	
Property Insurance during Const.	\$ 790,000	
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 1,389,292	
Developer Costs	\$ 6,000,000	
Total Uses	\$ 82,155,760	

Description of Financial Structure and Bond Issuance:

This Bond issuance is a City and County of San Francisco private placement through the Bank of America, with the permanent lender being Freddie Mac. During the construction financing phase the loan term will be for 36 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 4.19%.

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: 80 out of 140
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$47,497,000 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	10
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	80

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.