

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 13, 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
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Allocation Amount Requested:	
Tax-exempt:	\$29,500,000

Project Information:	
Name:	One Church Street Apartments
Project Address:	1 Church Street
Project City, County, Zip Code:	San Francisco, San Francisco, 94114

Project Sponsor Information:	
Name:	Hermann Street Associates, LP (Herman Street Associates LLC)
Principals:	Cynthia Parker, Susan M. Johnson, D. Kemp Valentine, Rebecca Hlebasko, Kimberly McKay and Ann Silverberg
Property Management Company:	BRIDGE Property Management Company

Project Financing Information:	
Bond Counsel:	Jones Hall, A Professional Law Corporation
Private Placement Purchaser:	Not Applicable
Cash Flow Permanent Bond:	Not Applicable
Public Sale:	Rated
Underwriter:	Stifel, Nicolaus & Company, Incorporated
Credit Enhancement Provider:	Not Applicable
Rating:	AA+ S&P Global Ratings
TEFRA Noticing Date:	September 3, 2017
TEFRA Adoption Date:	October 3, 2017

Description of Proposed Project:	
State Ceiling Pool:	General
Total Number of Units:	93
Manager's Units:	1 Unrestricted
Type:	Acquisition and Rehabilitation
Population Served:	Family

One Church Street Apartments is an existing project located in San Francisco on a 1.3-acre site. The project consists of 92 restricted rental units and 1 unrestricted manager's unit. The project has 30 one-bedroom units, 35 two-bedroom units and 28 three-bedroom units. The renovations will include building exterior/interior upgrades. Building exterior renovations will consist of a fresh coat of paint, critical upgrades of the life-safety systems, windows will be replaced with new windows, waterproofing assembly, stucco and trim. In addition, water intrusion from the roof will be addressed through a full roof replacement and waterproofing at the parapet. Individual apartment units will be updated with new bathroom/kitchen cabinets, countertops and flooring as needed, horn/strobe smoke alarms in bedrooms as needed and Energy Star kitchen appliances. In addition, electrical panels, interior lighting with energy fixtures and carpeting will be replaced as needed. Lastly, common or site area renovations will consist of repainting and replacing carpeting in common areas. The rehabilitation is expected to begin in June 2018 and be completed in June 2019.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
68% (63 units) restricted to 50% or less of area median income households.
32% (29 units) restricted to 60% or less of area median income households.
Unit Mix: 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:	\$ 48,222,007	
Estimated Hard Costs per Unit:	\$ 93,482	(\$8,693,837 /93 units including mgr. units)
Estimated per Unit Cost:	\$ 518,516	(\$48,222,007 /93 units including mgr. units)
Allocation per Unit:	\$ 317,204	(\$29,500,000 /93 units including mgr. units)
Allocation per Restricted Rental Unit:	\$ 320,652	(\$29,500,000 /92 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 29,500,000	\$ 12,995,000
LIH Tax Credit Equity	\$ 0	\$ 15,336,139
Deferred Developer Fee	\$ 950,000	\$ 2,000,000
Deferred Costs	\$ 2,974,487	\$ 0
Seller Carryback Loan	\$ 0	\$ 3,766,761
Limited Partner Capital	\$ 1,551,414	\$ 700,000
Accrued Soft Loan Interest	\$ 496,423	\$ 496,423
MOHCD HOME I	\$ 9,886,907	\$ 9,886,907
MOHCD HOME II	\$ 267,939	\$ 267,939
MOHCD HOPWA	\$ 2,772,838	\$ 2,772,838
Total Sources	\$ 48,400,008	\$ 48,222,007

Uses of Funds:	
Land Cost/Acquisition	\$ 25,625,000
Rehabilitation	\$ 9,284,906
Relocation	\$ 1,507,000
Contractor Overhead & Profit	\$ 591,068
Architectural Fees	\$ 737,376
Survey and Engineering	\$ 5,000
Construction Interest and Fees	\$ 2,156,677
Permanent Financing	\$ 184,950
Legal Fees	\$ 220,000
Reserves	\$ 841,796
Appraisal	\$ 7,500
Hard Cost Contingency	\$ 1,958,970
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 1,101,764
Developer Costs	\$ 4,000,000
Total Uses	\$ 48,222,007

Analyst Comments:

This project is considered a high cost per unit project. The real estate boom in San Francisco has caused extreme demand for construction and materials causing the project costs to rise. In addition, the project is subject to certain contracting requirements, including a prevailing wage requirement. Because this project is located in San Francisco, the relocation expenses are above average. Lastly, the appraiser for this transaction factored in additional subsidy income from Section 8 vouchers when valuing this property in addition to the value of the outstanding debt.

The Applicant has informed CDLAC that they intend to transfer the entire allocation to the California Municipal Finance Authority in order to issue bonds before December 31, 2017.

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:

87 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$29,500,000 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	20
Exceeding Minimum Income Restrictions:	35	15	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	0
Gross Rents	5	5	5
Large Family Units	5	5	5
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	2
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	110	87