

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**December 13, 2017**  
**Staff Report - REVISED**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Ruben Barcelo*

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<b>Applicant:</b>	<b>City and County of San Francisco/<del>San Francisco Public Utilities Commission</del></b>
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<b>Allocation Amount Requested:</b>	<b>Tax-exempt:</b> \$80,000,000
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<b>Project Information:</b>	<b>Name:</b> 2675 Folsom Street Apartments
	<b>Project Address:</b> 2675 Folsom Street
	<b>Project City, County, Zip Code:</b> San Francisco, San Francisco, 94110

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<b>Project Sponsor Information:</b>	<b>Name:</b> To-be-formed limited partnership (AOF/Pacific Affordable Housing Corp.; and a to-be-formed limited partnership)
	<b>Principals:</b> Philip J. Kennedy for AOF/Pacific Affordable Housing Corp.; and Theo Oliphant, Muhammad Nadhiri, James Dobbie, John McAlister, David Robbins and Gregory Martin for a to-be-formed limited partnership
	<b>Property Management Company:</b> Greystar California Inc.

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<b>Project Financing Information:</b>	<b>Bond Counsel:</b> Jones Hall, A Professional Law Corporation
	<b>Private Placement Purchaser:</b> Deutsche Bank AG
	<b>Cash Flow Permanent Bond:</b> Not Applicable
	<b>Public Sale:</b> Not Applicable
	<b>Underwriter:</b> Not Applicable
	<b>Credit Enhancement Provider:</b> Not Applicable
	<b>Rating:</b> Not Applicable
	<b>TEFRA Noticing Date:</b> September 3, 2017
	<b>TEFRA Adoption Date:</b> October 3, 2017

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<b>Description of Proposed Project:</b>	<b>State Ceiling Pool:</b> Mixed
	<b>Total Number of Units:</b> 117
	<b>Manager's Units:</b> 1 Restricted
	<b>Type:</b> New Construction
	<b>Population Served:</b> Family

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2675 Folsom Street Apartments is a new construction project located in San Francisco on a 0.82-acre site. The project will consist of 23 restricted rental units, 93 market rate units and 1 restricted manager unit distributed as 32 studio units, 38 one-bedroom units, 45 two-bedroom units and 2 three-bedroom units. The building will be a single-story building of wood frame construction with concrete paneling and flat roof. Common amenities will include a community room, exercise facility, roof-top garden/recreation area, elevator and Internet access. Each unit will provide hardwood and ceramic tile flooring, oven/range, refrigerator, garbage disposal, dishwasher, granite countertops, in-unit washer/dryer, heater/A/C, and private patio or balcony. The project will be pursuing LEED for Homes certification. The construction is expected to begin March 2018 and to be completed in October 2019.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 21%  
21% (24 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:**

<b>Estimated Total Development Cost:</b>	\$ 114,255,169	
<b>Estimated Hard Costs per Unit:</b>	\$ 401,289	(\$46,950,769 /117 units including mgr. units)
<b>Estimated per Unit Cost:</b>	\$ 976,540	(\$114,255,169 /117 units including mgr. units)
<b>Allocation per Unit:</b>	\$ 683,761	(\$80,000,000 /117 units including mgr. units)
<b>Allocation per Restricted Rental Unit:</b>	\$ 3,333,333	(\$80,000,000 /24 restricted units)

<b>Sources of Funds:</b>	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 80,000,000	\$ 0
Taxable Bond Proceeds	\$ 15,000,000	\$ 0
Taxable Loan Proceeds	\$ 0	\$ 90,700,000
LIH Tax Credit Equity	\$ 0	\$ 5,260,373
Investor Equity for Market Rate Units	\$ 15,221,983	\$ 15,221,983
Deferred Developer Fee	\$ 3,072,813	\$ 3,072,813
<b>Total Sources</b>	<b>\$ 113,294,796</b>	<b>\$ 114,255,169</b>

<b>Uses of Funds:</b>	
Land Cost/Acquisition	\$ 18,550,398
New Construction	\$ 52,205,385
Contractor Overhead & Profit	\$ 3,281,675
Architectural Fees	\$ 2,428,948
Survey and Engineering	\$ 956,589
Construction Interest and Fees	\$ 13,208,320
Permanent Financing	\$ 1,035,000
Legal Fees	\$ 300,000
Reserves	\$ 1,193,272
Appraisal	\$ 4,250
Hard Cost Contingency	\$ 2,449,538
Local Development Impact Fees	\$ 1,572,556
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 5,123,693
Developer Costs	\$ 4,254,496
Predevelopment Holding Cost	\$ 6,104,049
Predevelopment Financing Fees	\$ 1,587,000
<b>Total Uses</b>	<b>\$ 114,255,169</b>

**Analyst Comments:**

The project sponsor offered the following reasons for high costs per unit: traditionally high land acquisition cost in San Francisco, high labor and material costs in the general SF Bay Area due to continued strong demand from the ongoing construction boom, labor costs affected by union labor requirements, and costs related to mid-rise building construction design and soils mitigation. Additionally, project costs included significant predevelopment holding costs.

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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:**

46 out of 120 [See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approves \$80,000,000 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	6
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	10
Gross Rents	5	5	0
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
<b>Total Points</b>	<b>140</b>	<b>120</b>	<b>46</b>