

**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:** \$16,227,000

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**Project Information:**  
**Name:** 491 91st Avenue Apartments  
**Project Address:** 491 31st Avenue  
**Project City, County, Zip Code:** San Francisco, San Francisco, 94121

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**Project Sponsor Information:**  
**Name:** 491 31st Ave, LP (JSCO CA Corridor, LLC; Mercy Housing Calwest; and Japanese American Religious Federation, Inc.)  
**Principals:** Jack Gardner for JSCO CA Corridor, LLC; Doug Shoemaker, Valerie Agostino, Barbara Gualco, Jane Graf, Stephan Daves, Ed Holder, Steve Spears, Benjamin Phillips, Sheela Jivan, Melissa Clayton, Bruce Saab, Jennifer Dolin, Joe Rosenblum, Vince Dodds and Amy Bayley for Mercy Housing Calwest; and Will Tsukamota for Japanese American Religious Federation.  
**Property Management Company:** John Stewart Company

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**Project Financing Information:**  
**Bond Counsel:** Orrick, Herrington & Sutcliffe LLP  
**Underwriter:** Not Applicable  
**Credit Enhancement Provider:** Not Applicable  
**Private Placement Purchaser:** Bank of America, N.A.  
**TEFRA Adopted Date:** April 15, 2015

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 74, plus 1 manager unit  
**Type:** Acquisition and Rehabilitation  
**Type of Units:** Senior Citizens/Special Needs

The proposed project is an existing property and is situated on .34 acres in the Richmond neighborhood of San Francisco. The property is targeted to serve elderly and disabled households. The units will be set aside for households earning 50% of the AMI or below and will consist of studio, 1-bedroom and one (1) 2-bedroom units. All the units will have rental assistance to ensure continuing affordability for the residents. The scope of rehabilitation will include: structural modifications of the community room entrance; elevator repairs; fire and life safety upgrades; accessibility upgrades; building facade repairs; roof replacement system; plumbing repairs and upgrades; HVAC repairs and upgrades; electrical upgrades; installation of security cameras; GFI receptacles roof retrofitting; unit upgrades; common area upgrades; and sitework (fencing and gate replacement, landscaping repair and site lighting upgrade). The project is scheduled to commence construction in November, 2015, and will be completed 15 months later by February, 2017.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%  
100% (74 units) restricted to 50% or less of area median income households.  
**Unit Mix:** Studio, 1 & 2 bedrooms

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>	\$	28,807,655	
<b>Estimated Hard Costs per Unit:</b>	\$	123,024	(\$9,103,773 /74 units)
<b>Estimated per Unit Cost:</b>	\$	389,293	(\$28,807,655 /74 units)
<b>Allocation per Unit:</b>	\$	219,284	(\$16,227,000 /74 units)
<b>Allocation per Restricted Rental Unit:</b>	\$	219,284	(\$16,227,000 /74 restricted units)

<b>Sources of Funds:</b>	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 16,227,000	\$ 5,127,000
Developer Equity	\$ 0	\$ 500,000
LIH Tax Credit Equity	\$ 903,883	\$ 11,951,769
Direct & Indirect Public Funds	\$ 9,675,731	\$ 10,825,731
Other (Costs Def. Until Conv./		
Accrued deferred interest	\$ 2,001,041	\$ 403,155
<b>Total Sources</b>	<b>\$ 28,807,655</b>	<b>\$ 28,807,655</b>

<b>Uses of Funds:</b>	
Acquisition/Land Purchase	\$ 12,250,000
Hard Construction Costs	\$ 9,103,773
Architect & Engineering Fees	\$ 667,152
Contractor Overhead & Profit	\$ 304,705
Developer Fee	\$ 2,500,000
Relocation	\$ 328,720
Cost of Issuance	\$ 110,060
Legal Fees	\$ 202,250
Construction & Permanent Financing	\$ 1,102,228
Contingency Cost	\$ 1,281,812
Reserves	\$ 719,634
Other Soft Costs (Third Party Reports, Furnishing, Marketing, etc.)	\$ 237,321
<b>Total Uses</b>	<b>\$ 28,807,655</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 24 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 4.04%. The bonds will be issued by the City and County of San Francisco.

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**Analyst Comments:**

The subject project, 491 31st Avenue, is a part of a larger effort by the City of San Francisco and a team of affordable housing developers to redevelop existing public housing stock, much of which has fallen into severe disrepair due to decades of deferred maintenance. Through the Rental Assistance Demonstration (RAD) program of the US Department of Housing and Urban Development, which allows existing public housing projects to be conveyed to private entities with higher rental subsidy, the project will undergo extensive rehabilitation, followed by thoughtful property management and services provision.

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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 \$16,227,000 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.