

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: Richard Fischer

Applicant: City and County of San Francisco

Allocation Amount Requested:
Tax-exempt: \$35,363,000

Project Information:
Name: JFK Tower Apartments
Project Address: 2451 Sacramento Street
Project City, County, Zip Code: San Francisco, San Francisco, 94115

Project Sponsor Information:
Name: JFK Tower, L.P. (Mercy Housing Calwest, JSCO CA Corridor LLC and the Japanese American Religious Federation Housing, Inc.)
Principals: Doug Shoemaker, Valerie Agostino, Barbara Gualco, Melissa Clayton, and Chris Burkhardt of Mercy Housing Calwest; John K. Stewart, Jack D. Gardner, Daniel Levine and Mari Tustin for JSCO CA Corridor LLC; Steve Suzuki, Jeff Matsuoka, David Kamita, Kei Nagai and Will Tsukamoto for the Japanese American Religious Federation Housing, Inc.
Property Management Company: Mercy Housing Management Group

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./ Freddie Mac
TEFRA Noticing Date: October 16, 2015
TEFRA Adoption Date: December 9, 2015

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 97, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

JFK Tower, a 12-story, 98-unit, 60,000 square foot building was originally constructed in 1968 for the San Francisco Housing Authority. JFK Tower currently serves as public housing for seniors and disabled individuals. The 98 units in the building consist of 76 studio apartments, 21 one-bedroom apartments, and one 2 two-bedroom unit. One of the one-bedroom units is designated as a manager's unit. In addition to that, there is a laundry room, maintenance, garbage, and electrical rooms, community room and kitchen, and property manager's office on the first floor. The community room opens up onto a landscaped terrace which wraps around the southern side of the building. One of the major components of the building rehabilitation is voluntary seismic strengthening. The rehabilitation of the building will include a number of accessibility-related improvements in order to bring the building in line with ADA requirements. In addition to that, seven studio apartments, two one-bedroom units, and

one two-bedroom unit will be completely remodeled as fully accessible. To help improve the energy efficiency of the building by 10%, improvements to the lighting and heating systems will be implemented. In addition, work within the units will include adding ventilation at kitchens and bathrooms to improve air quality and plumbing repairs to fix leaks. Unit upgrades include new flooring; updating bathrooms; and replacing kitchen cabinetry and countertops. Also, reconfiguring and enlarging the community room for new resident services, activity based programming, as well as designing for enhanced security.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (97 units) restricted to 50% or less of area median income households.
Unit Mix: Studio, 1 & 2 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:	\$	60,653,505	
Estimated Hard Costs per Unit:	\$	161,727	(\$15,687,564 /97 units)
Estimated per Unit Cost:	\$	625,294	(\$60,653,505 /97 units)
Allocation per Unit:	\$	364,567	(\$35,363,000 /97 units)
Allocation per Restricted Rental Unit:	\$	364,567	(\$35,363,000 /97 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, Construction Type and Materials Selection.

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 35,363,000	\$ 0
SFHA Seller Carryback Note (AFR)	\$ 19,577,100	\$ 19,577,100
SFHA Perm Loan (0% rate)	\$ 0	\$ 2,900,000
Freddie Mac Note	\$ 0	\$ 8,983,000
LIH Tax Credit Equity	\$ 1,150,179	\$ 24,903,585
Deffered Developer Equity	\$ 0	\$ 500,000
Deffered Developer Fee	\$ 2,665,768	\$ 2,665,768
Accrued/Deferred Interest during Construction	\$ 1,124,052	\$ 1,124,052
Total Sources	\$ 59,880,099	\$ 60,653,505

Uses of Funds:	
Land Cost/Acquisition	\$ 24,810,000
Rehabilitation	\$ 17,085,672
Relocation	\$ 900,000
Architectural Fees	\$ 1,327,190
Surveying and Engineering	\$ 300,000
Construction, Interest and Fees	\$ 2,870,163
Permanent Financing	\$ 1,819,302
Legal Fees	\$ 180,500
Reserves	\$ 1,578,551
Appraisal	\$ 10,000
Contingency Cost	\$ 3,387,134
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 1,532,089
Developer Costs	\$ 4,852,904
Total Uses	\$ 60,653,505

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 \$35,363,000 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.