

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: \$32,368,000

Project Information:
Name: Mission Dolores Apartments (RAD)
Project Address: 1855 15th Street
Project City, County, Zip Code: San Francisco, San Francisco, 94103

Project Sponsor Information:
Name: Mission Dolores Housing Associates, L.P. (Mission Dolores GP LLC)
Principals: Cynthia Parker, Ann Silverberg, Kimberly McKay, Brad Wiblin, Elizabeth Van Benschoten, Rebecca Hlebasko, Susan Johnson, Lyn Hikida, Chris Nicholson, D. Valentine, and Luis Granados for Mission Dolores GP LLC
Property Management Company: Bridge Property Management Company

Project Financing Information:
Bond Counsel: Sidley Austin 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: 90, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

Mission Dolores is an existing 91-unit multifamily apartment complex that is located in the City and County of San Francisco. The Project as built in 1967 and consists of one seven- to ten-story high rise structure on 15th Street between Dolores Street and Guerrero Street. The development is situated on a single 0.6 acre L-shaped lot, and the gross building area amounts to 44,162 square feet. The residential property is a senior/disabled oriented project with 68 studios and 23 one-bedrooms. All units contain one bathroom, a living/dining area, closets, window treatments, resilient floor coverings, wall heaters, and kitchens with refrigerators and stove/ovens. In addition, the development contains two elevators, a community room, laundry room and 14 parking spaces in an on grade gated parking lot. The primary scope of work will include life safety and accessibility improvements, seismic upgrade, modernization or replacement of original building systems and equipment, resident unit renovations, energy use reduction, and modifications to the ground floor common areas to better support the everyday needs of the residents and staff. This includes remodeling the existing kitchens and bathrooms, and providing new finishes, door hardware, and windows. The rehabilitation of the project is expected to begin in October of 2016 and be completed in August of 2018.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 98%
98% (88 units) restricted to 50% or less of area median income households.
Unit Mix: Studio & 1 bedroom

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:	\$ 58,890,361	
Estimated Hard Costs per Unit:	\$ 182,004	(\$16,380,320 /90 units)
Estimated per Unit Cost:	\$ 654,337	(\$58,890,361 /90 units)
Allocation per Unit:	\$ 359,644	(\$32,368,000 /90 units)
Allocation per Restricted Rental Unit:	\$ 367,818	(\$32,368,000 /88 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:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 32,368,000	\$ 8,651,000
SFHA Seller Carryback Loan (2.62%)	\$ 19,839,000	\$ 19,839,000
SFHA Permanent Loan (AFR)	\$ 0	\$ 1,000,000
SF MOHCD Loan (0%)	\$ 0	\$ 427,105
LIH Tax Credit Equity	\$ 1,102,582	\$ 24,293,644
Deferred Developer Fee	\$ 2,750,212	\$ 2,750,212
Costs Deferred Until Perm Loan Conversion	\$ 1,401,167	\$ 0
General Partner Capital Contribution	\$ 0	\$ 500,000
Accrued/ Deferred Interest	\$ 1,429,400	\$ 1,429,400
Total Sources	\$ 58,890,361	\$ 58,890,361
Uses of Funds:		
Land Cost/Acquisition	\$ 21,396,975	
Rehabilitation	\$ 18,291,999	
Relocation	\$ 1,182,032	
Architectural Fees	\$ 1,250,000	
Survey & Engineering	\$ 10,500	
Construction, Interest and Fees	\$ 5,204,172	
Permanent Financing	\$ 20,000	
Legal Fees	\$ 83,000	
Reserves	\$ 1,362,856	
Appraisal	\$ 10,000	
Contingency Cost	\$ 3,178,493	
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 1,650,122	
Developer Costs	\$ 5,250,212	
Total Uses	\$ 58,890,361	

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 42 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 4.35%.

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 \$32,368,000 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.