

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
September 21, 2016
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

Allocation Amount Requested: Tax-exempt: \$49,454,000

Project Information:
Name: Potrero Block X Apartments
Project Address: 1101 Connecticut Street
Project City, County, Zip Code: San Francisco, San Francisco, 94107

Project Sponsor Information:
Name: Potrero Housing Associates I, LP (MCB Family Housing, Inc)
Principals: Cynthia Parker, Susan M. Johnson, D. Kemp Valentine, Rebecca Hlebasko, Kimberly KcKay and Ann Silverberg for MCB Family Housing, Inc.
Property Management Company: BRIDGE Property Management Company

Project Financing Information:
Bond Counsel: Jones Hall, A Professional Law Corporation
Private Placement Purchaser: Citibank, N.A.
Public Sale: Not Applicable
Underwriter: Not Applicable
TEFRA Noticing Date: March 31, 2016
TEFRA Adoption Date: May 17, 2016

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 71, plus 1 manager unit
Type: New Construction
Type of Units: Family

Potrero Block X is a new construction project located in San Francisco on a 0.69 acre site. The project consists of 71 restricted rental units and 1 manager's unit. The project will have 2 studios, 10 one-bedroom units, 50 two-bedroom units and 9 three-bedroom units. The building will be 5 stories of type 3A construction over a type 1A concrete podium. The U-shaped type III building surrounds a landscaped south-facing courtyard. Common amenities include a large community room, laundry facilities on each floor, services/management offices and one bike parking space per unit. Each unit will have a refrigerator, range/oven, dishwasher, garbage disposal and microwave. There are 29 parking spaces provided. The project will be pursuing a LEED Silver certification. Green features include both solar hot water and photovoltaic panels to offset common hot water and energy loads, water efficient fixtures and Energy Star appliances, a greywater system for irrigation, environmentally preferable, low emitting flooring and paint, and reduced formaldehyde in interior finish materials. The construction is expected to begin November 2016 and complete in March 2018.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
55% (39 units) restricted to 50% or less of area median income households.
45% (32 units) restricted to 60% 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:

Estimated Total Development Cost:	\$	64,425,307	
Estimated Hard Costs per Unit:	\$	534,264	(\$37,932,716 /71 units)
Estimated per Unit Cost:	\$	894,796	(\$64,425,307 /72 units including manager unit)
Allocation per Unit:	\$	696,535	(\$49,454,000 /71 units)
Allocation per Restricted Rental Unit:	\$	696,535	(\$49,454,000 /71 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 49,454,000	\$ 12,615,000
San Francisco MOHCD Gap Loan	\$ 9,098,447	\$ 9,098,447
San Francisco MOHCD Predev Loan	\$ 630,000	\$ 630,000
LIH Tax Credit Equity	\$ 1,470,741	\$ 29,267,317
Deferred Developer Fee	\$ 1,853,800	\$ 1,853,800
Accrued/Deferred Interest	\$ 510,743	\$ 510,743
Costs Deferred Until Conversion	\$ 1,555,076	\$ 0
General Partner Equity	\$ 0	\$ 500,000
Citi Subordinate Loan	\$ 0	\$ 1,200,000
AHSC Hsg-Related Infrastructure Loan	\$ 0	\$ 1,500,000
AHSC Loan	\$ 0	\$ 7,250,000
Total Sources	\$ 64,572,807	\$ 64,425,307

Uses of Funds:	
Land Cost/Acquisition	\$ 2,758,042
Master Planning Costs/Outreach	\$ 780,000
Predevelopment Interest/Hold Cost	\$ 100,000
New Construction	\$ 37,936,378
Contractor Overhead	\$ 543,319
Architectural Fees	\$ 1,673,430
Survey and Engineering	\$ 871,872
Construction Interest and Fees	\$ 4,377,599
Permanent Financing	\$ 166,150
Legal Fees	\$ 107,500
Reserves	\$ 674,461
Appraisal	\$ 15,000
Contingency Cost	\$ 6,219,238
Local Development Impact Fees	\$ 605,495
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 3,243,023
Developer Costs	\$ 4,353,800
Total Uses	\$ 64,425,307

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:

72.5 out of 140

[See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$49,454,000 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	0
Community Revitalization Area	5	5	0
Site Amenities	10	10	2.5
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	0
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	0
Negative Points (No Maximum)	-10	-10	0
Total Points	140	120	72.5

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.