Agenda Item No. 8.8
Application No. 13-041

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 15, 2013
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Crystal Alvarez

Applicant:	The City and County of San Francisco
Allocation Amount Requested:	
Tax-exempt:	$19,500,000
Project Information:	
Name:	**1100 Ocean Avenue Apartments**
Project Address:	1100 Ocean Avenue
Project City, County, Zip Code:	San Francisco, San Francisco, 94112
Project Sponsor Information:	
Name:	1100 Ocean Avenue Limited Partnership (Mercy Housing Calwest and Bernal Housing, LLC)
Principals:	Jane Graf, Steve Spears, Valerie Agostino, Douglas Shoemaker and Vince Dodds for Mercy Housing Calwest; Amy Beinart, Rachel Ebora and Silvester Bongolan for Bernal Heights Housing Corporation
Property Management Company:	Mercy Housing Management Group
Project Financing Information:	
Bond Counsel:	Orrick, Herrington & Sutcliffe LLP
Private Placement Purchaser:	Silicon Valley Bank
TEFRA Hearing Date:	December 11, 2012
Description of Proposed Project:	
State Ceiling Pool:	General
Total Number of Units:	70, plus 1 manager unit
Type:	New Construction
Type of Units:	Family

The subject property is located in the Balboa Park neighborhood of San Francisco. The site lies within the San Francisco Planning Department's Balboa Park Station Area Plan. The proposed development will meet a local housing need by providing twenty-five apartments to transitional-aged youth, many of whom are emancipating from the foster care system. The remaining forty-five units will be rented out to families earning no more than 50% of area median income. The ground floor of the building, containing the commercial space, managers' unit, parking area, community and social service space will be Type-IA concrete construction. The four floors of residential space above will be Type-VA wood construction. There will be open space on the site, including a garden on the ground floor, a courtyard on the second floor and a playground.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

100% (70 units) restricted to 50% or less of area median income households.

Unit Mix: Studio, 1, 2 & 3 bedrooms

The Project Sponsor has committed to providing a bona fide service coordinator/social worker free of charge for a period of 10 years.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	$ 33,706,938		
Estimated Hard Costs per Unit:	$ 316,002	($22,120,146	/70 units)
Estimated per Unit Cost:	$ 481,528	($33,706,938	/70 units)
Allocation per Unit:	$ 278,571	($19,500,000	/70 units)
Allocation per Restricted Rental Unit:	$ 278,571	($19,500,000	/70 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 the prevailing wage requirement, additional soundproofing of each unit, and permits required for storm water management.

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	$ 19,500,000	$ 0
Developer Equity	$ 145,000	$ 1,345,000
Deferred Developer Fee	$ 0	$ 120,500
LIH Tax Credit Equity	$ 800,000	$ 12,989,657
Direct & Indirect Public Funds	$ 11,109,909	$ 19,251,781
Total Sources	$ 31,554,909	$ 33,706,938

Uses of Funds:	
Acquisition/Land Purchase	$ 33,681
On & Off Site Costs	$ 1,153,315
Hard Construction Costs	$ 20,966,831
Architect & Engineering Fees	$ 1,726,144
Contractor Overhead & Profit	$ 1,572,512
Developer Fee	$ 2,400,000
Cost of Issuance	$ 383,642
Capitalized Interest	$ 677,458
Other Soft Costs (Marketing, etc.)	$ 1,793,355
Total Uses	$ 30,706,938

Description of Financial Structure and Bond Issuance:

The tax-exempt bond allocation will be privately placed with the Silicon Valley Bank. The bank has committed to provide the construction financing for the project. The construction loan will carry a fixed rate, based on the greater of Wall Street Journal Prime Rate minus one percent with an interest rate floor of 2% for a period of 30 months. The tax-exempt bonds will be paid off with the tax credit equity after construction. In addition, the project will be rehabilitated with a mixture of HOME Investment Partnership funds, Redevelopment set-aside funds and the Department of Housing and Community Development fund available under the Homeless Youth Multifamily Housing Program.

Analyst Comments:

Not Applicable

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: 92.5 out of 130

[See Attachment A**]**

Recommendation:

Staff recommends that the Committee approve $19,500,000 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	5
New Construction	10	10	10
Sustainable Building Methods	10	10	10
Negative Points	-10	-10	0
Total Points	**130**	**100**	**92.5**

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.