

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 21, 2014
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Leslie J. Campaz

Applicant: City and County of San Francisco

Allocation Amount Requested:
Tax-exempt: \$30,000,000

Project Information:
Name: Rosa Parks II Apartments
Project Address: 1239 Turk Street
Project City, County, Zip Code: San Francisco, San Francisco, 94115

Project Sponsor Information:
Name: Rosa Parks II, L.P. (Rosa Parks II GP LLC and Rosa Parks II Investor LLC)
Principals: Donald S. Falk, Hyde Ghaffiare, Noreen Beiro, Dina Hillard, and Samia Rashed for both entities.
Property Management Company: Tenderloin Neighborhood Development Corporation

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Silicon Valley Bank
TEFRA Adoption Date: July 9, 2013

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 97, plus 1 manager unit
Type: New Construction
Type of Units: Senior Citizens

The propose project is a new construction development located in the City and County of San Francisco. The project is located at the corner of Turk and Webster streets in the Western Addition neighborhood of San Francisco. The unit mix is comprised of 32 studio units, 65 one-bedroom units and 1 two-bedroom manager's unit. The proposed project will target seniors earning up to 50% of the area median income. Each apartment will contain a full kitchen, including a refrigerator, range and oven with ventilating hood, microwave, garbage disposal, sink, and ample counter space and cabinet storage. The project will also provide a varitey of community spaces designed to accommodate the range of programs and needs for this population including a large community room with a kitchen, a multi-purpose room, a laundry room, a bike storage room and a resident lounge area.

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 bedroom

A bona fide service coordinator/social worker will be included as services amenities for a minimum of 10 years.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 48,422,226	
Estimated Hard Costs per Unit:	\$ 306,739	(\$29,753,729 /97 units)
Estimated per Unit Cost:	\$ 499,198	(\$48,422,226 /97 units)
Allocation per Unit:	\$ 309,278	(\$30,000,000 /97 units)
Allocation per Restricted Rental Unit:	\$ 309,278	(\$30,000,000 /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 1) The location of the project in central San Francisco, one of the highest construction cost areas in California, contributes to higher overall costs. As an urban infill site, it will involve lane and traffic closures, relocation of existing utilities, and temporary relocation of ingress and egress to existing building to ensure safety for all residents and staff. Additionally, the long and narrow nature of the site has limited staging capabilities. 2) Construction cost is based on the Guaranteed Maximum Price (GMP) after bidding the project for subcontracts. Construction cost included the necessary Rosa Parks I (RPI) parking, trash room and driveway easement improvements totaling \$1.7 million. The 22 month construction period demands phased construction since temporary parking and ingress/egress to Rosa Parks I must be completed first. This also requires additional permitting for RPI. 3) Architecture, engineering and other soft costs are higher than usual given that the project requires additional design and engineering for RPI, such as temporary parking and pedestrian access, landscaping, and storm water management. Also, additional legal and third party review will be required due to HUD 202 funding. 4) Construction management costs are high as a result of the significant design coordination issues on this project, including the need for permit approval on two parcels.

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 29,999,748	\$ 0
Developer Equity	\$ 0	\$ 500,000
LIH Tax Credit Equity	\$ 1,205,000	\$ 17,542,603
Direct & Indirect Public Funds	\$ 15,384,175	\$ 30,379,623
Total Sources	\$ 46,588,923	\$ 48,422,226
Uses of Funds:		
Acquisition/Land Purchase	\$ 4,996,193	
On & Off Site Costs	\$ 3,478,665	
Hard Construction Costs	\$ 26,275,064	
Architect & Engineering Fees	\$ 2,526,523	
Contractor Overhead & Profit	\$ 1,839,255	
Developer Fee	\$ 2,500,000	
Cost of Issuance	\$ 520,400	
Capitalized Interest	\$ 982,492	
Other Soft Costs (Marketing, etc.)	\$ 5,303,634	
Total Uses	\$ 48,422,226	

Description of Financial Structure and Bond Issuance:

This is a FHA Section 202 project with Silicon Valley Bank providing the 30 month construction loan. The Silicon Valley Bank will directly purchase the bonds and advance proceeds on a "draw down" basis over the course of construction, starting with an initial disbursement of \$55,000 at bond closing. The construction loan terms will bear a fixed interest rate of 1.80 for the initial term of the 30 months. During the option to extend, the interest rate will be reset and fixed at the greater of the WSJ Prime minus 1.25% per annum or an interest rate floor of 2.00%. The bonds will be issued by the City and County of San Francisco.

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: 95 out of 130
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$30,000,000 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	10
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	95

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.