

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: California Housing Finance Agency

Allocation Amount Requested:

Tax-exempt: \$1,000,000

The amount of allocation requested is supplemental to the \$11,500,000 of allocation the Project received on January 15, 2014.

Project Information:

Name: Esperanza-Colosimo Apartments (Supplemental)
Project Address: 3298 25th Street and 3590 19th Street
Project City, County, Zip Code: San Francisco, San Francisco, 94110

Project Sponsor Information:

Name: MHDC Esperanza-Colosimo, LP (MHDC CA MGP III LLC;
IDG Esperanza-Colosimo, LLC)
Principals: Larry Del Carlo for MHDC CA MGP III LLC and Gary P.
Downs for IDG Esperanza-Colosimo, LLC
Property Management Company: Caritas Management Corporation

Project Financing Information:

Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Credit Enhancement Provider: California Housing Finance Agency
Private Placement Purchaser: Citibank, N.A.
TEFRA Adoption Date: December 4, 2013

Description of Proposed Project:

State Ceiling Pool: General
Total Number of Units: 49, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Senior Citizens/ Family

The proposed project is an existing development that consists of two supportive housing communities located in the City of San Francisco. The project serves seniors and families that make up to 60% of the area median income. The building at 3298 25th Street named Colosimo Apartments, has 11 two-bedroom units and serves low income families. The scope of renovations will be substantial and will include replacement of all interior appliances, cabinetry, carpet, waterproofing patios, and replacement and enhancement to property exteriors. The building at 3590 19th Street named Esperanza Apartments, will offer 38 studio and one-bedroom units. The target tenancy will remain senior households aged 62 and over. The scope of renovation will include replacement of all interior appliances, cabinetry, carpet, waterproofing patios, and replacement and enhancement to property exteriors.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
10% (5 units) restricted to 50% or less of area median income households.
90% (44 units) restricted to 60% or less of area median income households.
Unit Mix: Studio & 2 bedroom

A bona fide service coordinator at the Esperanza project will be included as a service amenity for a minimum of 10 years.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 25,615,590
Estimated Hard Costs per Unit: \$ 78,914 (\$3,866,768 /49 units)
Estimated per Unit Cost: \$ 502,358 (\$25,615,590 /49 units)
Allocation per Unit: \$ 255,102 (\$12,500,000 /49 units)
Allocation per Restricted Rental Unit: \$ 255,102 \$12,500,000 /49 restricted units)

Due to the City and County of San Francisco initially requiring an enlarged fire sprinkler system in the project, an additional \$1,000,000 was requested to pay the cost of the system. However, the City and County of San Francisco later told the borrower that a full upgrade of the fire sprinkler systems at the property was no longer required. The borrower would still like to use the \$1,000,000 supplemental allocation. Roughly \$500,000 would still be used for hard costs, including elevator repair and upgrades to the life safety systems. The remaining \$500,000 would be used for relocation costs.

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Citibank/Citibank Short Term bond Escrow	\$ 12,500,000	\$ 12,500,000
MHDC Seller Carryback	\$ 5,322,549	\$ 5,322,549
General Partner Equity	\$ 695	\$ 695
Replacement Reserves frm Seller	\$ 261,911	\$ 261,911
Leased up period Net operating Income	\$ 585,925	\$ 585,925
Equity Investor	\$ 6,944,510	\$ 6,944,510
Total Sources	\$ 25,615,590	\$ 25,615,590

Uses of Funds:	
Acquisition/Land Purchase	\$ 14,900,000
Rehabilitation Costs	\$ 4,394,388
Relocation	\$ 500,000
Architectural	\$ 110,410
Survey & Engineering	\$ 40,000
Contingency Costs	\$ 542,217
Construction Period Expenses	\$ 1,834,724
Legal Fees	\$ 130,000
Reports and Studies	\$ 15,000
Capitalized Reserves	\$ 297,101
Developer Costs	\$ 2,600,000
Other	\$ 251,750
Total Uses	\$ 25,615,590

Description of Financial Structure and Bond Issuance:

This will be a private placement bond transaction provided by Citibank, N.A. The bonds will be issued by the California Housing Finance Agency. The construction phase will be 18 months with a fixed interest rate estimated to be 0.48%. The permanent loan will be amortized over 35 years with a 16 year term.

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.

Recommendation:

Staff recommends that the Committee approve \$1,000,000 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	25
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	0
Community Revitalization Area	15	15	0
Site Amenities	10	10	10
Service Amenities	10	10	3.8
New Construction	10	10	0
Sustainable Building Methods	10	10	3
Negative Points	-10	-10	0
Total Points	130	100	56.8

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.