

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**September 17, 2014**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Brian Clark*

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**Applicant:** California Municipal Finance Authority

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**Allocation Amount Requested:**  
**Tax-exempt:** \$13,781,000

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**Project Information:**  
**Name:** Buchanan Park Apartments  
**Project Address:** 1150 Webster Street  
**Project City, County, Zip Code:** San Francisco, San Francisco, 94115

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**Project Sponsor Information:**  
**Name:** Buchanan Park EAH, LP (Buchanan Park EAH, LLC)  
**Principals:** Dianna Ingle, Sophia Ponomarev, Cathy Macy, Susan Dutton & Tania Vincent  
**Property Management Company:** EAH, Inc.

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**Project Financing Information:**  
**Bond Counsel:** Jones Hall, A Professional Law Corporation  
**Underwriter:** Not Applicable  
**Credit Enhancement Provider:** Not Applicable  
**Private Placement Purchaser:** Citibank, NA  
**TEFRA Adoption Date:** June 17, 2014

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 67, plus 1 manager unit  
**Type:** Acquisition and Rehabilitation  
**Type of Units:** Family

The project, constructed in the late 1970s, is located on 2.11 acres in San Francisco's Western Addison neighborhood. The project consists of a community building, a 49 space parking lot and two 3-story residential buildings and two 2-story townhome clusters housing 24 one-bedroom units, 24 two bedroom units, 19 three-bedroom units and a single three-bedroom manager's unit. Of the 67 tenant units, 63 will be affordable (7 units at 50% AMI and 56 at 60% AMI). A single three-bedroom unit and 3 two-bedroom units will not have income restrictions. All units have a patio/balcony, stove, garbage disposal and refrigerator. Community amenities include maintenance and leasing offices, laundry facility, security center, community room, kitchen and computer center. Rehabilitation will include replacing units' sliding glass doors, radiators, kitchen cabinets/countertops, flooring, interior repainting and patio/balcony repairs. Appliances, doors and plumbing fixtures will be replaced as needed. Rehabilitation will also include seismic/structural improvements, exterior painting, exterior LED lights, new security entrances, water intrusion repairs, solar hot water system, electrical upgrades, ADA accessibility upgrades to 4 units, parking lot repairs/ADA accessibility upgrades and upgrading of the fire alarm, emergency lighting and smoke/CO2 detectors. Rehabilitation is expected to begin in December 2014 and be completed by October 2015.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 94%

10% (7 units) restricted to 50% or less of area median income households.

84% (56 units) restricted to 60% or less of area median income households.

**Unit Mix:** 1, 2 & 3 bedrooms

The Project will provide instructor-led health & wellness or skill building classes at a minimum of 84 hours per year and a bona fide service coordinator.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

<b>Estimated Total Development Cost:</b>	\$	26,186,584	
<b>Estimated Hard Costs per Unit:</b>	\$	113,740	(\$7,620,556 /67 units)
<b>Estimated per Unit Cost:</b>	\$	390,845	(\$26,186,584 /67 units)
<b>Allocation per Unit:</b>	\$	205,687	(\$13,781,000 /67 units)
<b>Allocation per Restricted Rental Unit:</b>	\$	218,746	(\$13,781,000 /63 restricted units)

<b>Sources of Funds:</b>	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 13,781,000	\$ 6,105,600
LIH Tax Credit Equity	\$ 969,084	\$ 9,690,840
Seller Carry-back Loan	\$ 8,567,006	\$ 8,567,006
Deferred Interest	\$ 393,185	\$ 393,185
Existing Reserves	\$ 1,182,448	\$ 1,182,448
Income from Operations	\$ 0	\$ 247,505
<b>Total Sources</b>	<b>\$ 24,892,723</b>	<b>\$ 26,186,584</b>

  

<b>Uses of Funds:</b>	
Acquisition/Land Purchase	\$ 8,856,838
On & Off Site Costs	\$ 156,108
Hard Construction Costs	\$ 7,464,448
Architect & Engineering Fees	\$ 440,903
Contractor Overhead & Profit	\$ 1,229,403
Developer Fee	\$ 2,500,000
Relocation	\$ 959,428
Cost of Issuance	\$ 395,716
Capitalized Interest	\$ 832,230
Other Soft Costs (Marketing, etc.)	\$ 3,351,510
<b>Total Uses</b>	<b>\$ 26,186,584</b>

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**Description of Financial Structure and Bond Issuance:**

The construction bonds will be purchased as a private placement transaction with Citibank, NA in the amount of \$13,781,000 for a term of 24 months. The construction loan will be interest-only at a weekly-adjusted variable rate equal to one month LIBOR plus a spread of 1.75%, for an all-in rate of 1.91%. It is currently underwritten at 3.45% (1.91% plus a 1.54% cushion). The proceeds of the construction loan will be drawn down on a monthly basis and the bonds will be secured by a first deed of trust and be recourse to the borrower during construction and non-recourse upon conversion to permanent phase. Upon conversion to permanent phase, the construction bonds will be paid down from low income housing tax credit equity and operating income. Two permanent bond tranches will remain in place: Tranche A totaling \$2,616,600, and Tranche B totaling \$3,489,000 (leveraging a HAP rental subsidy) will each have an 18 year term and 35 year amortization period. Permanent phase interest will be fixed at closing at a rate equal to 18 year LIBOR swap rate plus a spread of 1.90% (currently underwritten at 5.08%).

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**Analyst Comments:**

Not Applicable

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**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.

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**Total Points:** 60 out of 130

[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$13,781,000 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	20
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	10
New Construction	10	10	0
Sustainable Building Methods	10	10	5
Negative Points	-10	-10	0
<b>Total Points</b>	<b>130</b>	<b>100</b>	<b>60</b>

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.