Agenda Item No. 8.26
Application No. 15-401

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
September 16, 2015
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Brian Clark

Applicant:	California Housing Finance Agency
Allocation Amount Requested:	
Tax-exempt:	$10,000,000
Project Information:	
Name:	**Park Sunset Apartments**
Project Address:	1353 7th Avenue
Project City, County, Zip Code:	San Francisco, San Francisco, 94122
Project Sponsor Information:	
Name:	Park Sunset Community Partners, LP (FFAH – Park Sunset, LLC and WNC – Park Sunset GP, LLC)
Principals:	Thomas E. Willard for FFAH – Park Sunset, LLC; Anand Kannan, Wilfred N. Cooper, Jr. and Wilfred N. Cooper Sr. for WNC – Park Sunset GP, LLC
Property Management Company:	FPI Management, Inc.
Project Financing Information:	
Bond Counsel:	Orrick, Herrington & Sutcliffe LLP
Underwriter:	Not Applicable
Credit Enhancement Provider:	Not Applicable
Private Placement Purchaser:	Citibank, NA
TEFRA Adoption Date:	July 24, 2015
Description of Proposed Project:	
State Ceiling Pool:	General
Total Number of Units:	29, plus 1 manager unit
Type:	Acquisition and Rehabilitation
Type of Units:	Senior Citizens/Federally Assisted At-Risk

The Project, constructed in 1974, is located on a 0.24 acre parcel in the Inner Sunset area of San Francisco. The Project, consisting of a single four-story elevator-served building, a courtyard, a surface parking lot containing 10 spaces and a subterranean parking garage containing 14 spaces; houses 29 tenant units (18 studio units and 11 one-bedroom units) and a single one-bedroom manager's unit. All units will be income restricted, 14 units at 50% Area Median Income ("AMI") and 15 units at 60% AMI. Unit amenities include a refrigerator, range/oven, garbage disposal, dishwasher, balcony, blinds, carpeting and ceiling fans. One-bedroom units also include a walk-in closet. Community amenities include on-site management, community room, laundry facility and courtyard. Unit renovations will include new countertops, cabinetry, windows and painting. Exterior renovations will address health and safety issues, ADA compliance, parking lot repairs, deferred maintenance and replacing and upgrading building systems as necessary. Rehabilitation is scheduled to start in October 2015 and be completed by September 2016.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

48% (14 units) restricted to 50% or less of area median income households.
52% (15 units) restricted to 60% or less of area median income households.

Unit Mix: Studio & 1 bedroom

There will be no service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	$	16,027,000	
Estimated Hard Costs per Unit:	$	59,008	($1,711,224 /29 units)
Estimated per Unit Cost:	$	552,655	($16,027,000 /29 units)
Allocation per Unit:	$	344,828	($10,000,000 /29 units)
Allocation per Restricted Rental Unit:	$	344,828	($10,000,000 /29 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 high real estate costs in the City of San Francisco. The Project's acquisition cost of $9,995,000 is based upon an appraisal of $10,500,000, which was valued in part using four properties sold between 2012 and 2014 for sales prices ranging from $4,500,000 to $7,425,000. The high per unit cost is also the result of prevailing wage requirements, which increases the Project's construction labor costs by 25%. Furthermore, due to the nature of having Seniors at the project, the relocation budget is significant ($200,000). It is notfeasible to do a tenant-in place rehab with Seniors. Additionally, the scope of the rehabilitation includes bringing two units to full ADA compliance, which will increase rehabilitation costs by approximately $100,000. Finally, the high per unit cost is due to inefficiencies associated with rehabilitating a small number of units. The Project's estimated soft costs total $1,651,341. It is asserted that the soft costs for this smaller project vary little from such costs that would be incurred by a larger project.

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	$ 10,000,000	$ 9,150,000
Seller Carryback Loan	$ 1,000,000	$ 1,000,000
Deferred Developer Fee	$ 1,951,808	$ 221,522
LIH Tax Credit Equity	$ 2,643,192	$ 5,223,478
Operating Income/Capitalized Interest	$ 432,000	$ 432,000
Total Sources	$ 16,027,000	$ 16,027,000

Uses of Funds:	
Acquisition/Land Purchase	$ 9,995,000
Hard Construction Costs	$ 1,711,224
Architect & Engineering Fees	$ 150,000
Contractor Overhead & Profit	$ 247,758
Developer Fee	$ 1,951,808
Relocation	$ 200,000
Cost of Issuance	$ 135,000
Construction & Permanent Financing	$ 764,000
Reserves	$ 192,000
Other Soft Costs (Marketing, etc.)	$ 680,210
Total Uses	$ 16,027,000

Description of Financial Structure and Bond Issuance:

The bonds will be purchased as a private placement transaction by Citibank, NA. During the construction financing phase the loan term will be for 24 months with a fixed interest rate equal to the sum of the 16 year LIBOR swap index plus a spread of 1.70% for Tranche A and a variable rate equal to one month LIBOR plus a spread of 2.00%.for Tranche B. During the permanent financing phase, the loan term will be for 30 years with an amortization period of 35 years at a fixed interest rate equal to the sum of the 16 year LIBOR swap index plus a spread of 1.70%. There was no underwritten rate provided.

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: 67.5 out of 130

[See Attachment A**]**

Recommendation:

Staff recommends that the Committee approve $10,000,000 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	20
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]	0
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	7.5
Service Amenities	10	10	0
New Construction	10	10	0
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
Total Points	**130**	**110**	**67.5**

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.