

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: Sarah Lester

Applicant: City and County of San Francisco

Allocation Amount Requested:
Tax-exempt: \$22,168,000

Project Information:
Name: 666 Ellis Street Apartments
Project Address: 666 Ellis Street
Project City, County, Zip Code: San Francisco, San Francisco, 94109

Project Sponsor Information:
Name: 666 Ellis, LP (CHP 666 RAD LLC)
Principals: Ramie Dare, Ali Riker, Jackie Jenks, Gail Gilman, Geoff MacDonald and Alex Armenta
Property Management Company: Community Housing Partnership

Project Financing Information:
Bond Counsel: Jones Hall, A Professional Law Corporation
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Bank of America, N.A.
TEFRA Adopted Date: April 14, 2015

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 99, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Senior Citizens/Special Needs

The proposed project is an existing, occupied 13-story, reinforced concrete structure with a full basement built in the 1970's. It is located on a rectangular parcel that is 14,169 sf or approximately .33 acres. 666 Ellis Street is located within the Tenderloin neighborhood of San Francisco. 666 Ellis Street is currently owned by the San Francisco Housing Authority and contains 99 residential units. The manager's unit has been off-line and used for storage for many years. The rentable units are 22 one-bedrooms and 77 studios each with their own kitchen (including refrigerator, stove, and range) and bathroom (with tub and shower). No major renovations have been completed since the original construction of the building in 1970. Five percent (5%) of the units at 666 Ellis will be upgraded for mobility accessibility and 7% will be upgraded for communication accessibility. New windows, new high-efficiency lighting, added insulation, and cleaning and rebalancing of the building's mechanical systems will improve the interior environment and building performance. Additional rehabilitation items include elevator modernization, fixture and finish replacement, upgrades to the entry lobby, front desk and 2 mailroom, renovated offices for property management, social services and maintenance, additional washers and dryers, accessibility improvements, a new security system, new roof, and a new full-coverage sprinkler system. Construction on the project is expected to begin in late October or early November 2015 and continue for 15 months.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (99 units) restricted to 50% or less of area median income households.
Unit Mix: Studio & 1 bedroom

No service amenities will be provided in the proposed project.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	39,414,387	
Estimated Hard Costs per Unit:	\$	156,254	(\$15,469,128 /99 units)
Estimated per Unit Cost:	\$	398,125	(\$39,414,387 /99 units)
Allocation per Unit:	\$	223,919	(\$22,168,000 /99 units)
Allocation per Restricted Rental Unit:	\$	223,919	(\$22,168,000 /99 restricted units)

Sources of Funds:	<u>Construction</u>		<u>Permanent</u>	
Tax-Exempt Bond Proceeds	\$	22,168,000	\$	4,462,000
Developer Equity	\$	0	\$	500,000
LIH Tax Credit Equity	\$	771,060	\$	17,064,693
Seller Carryback Loan	\$	12,976,474	\$	12,976,474
Direct & Indirect Public Funds	\$	1,296,753	\$	3,924,602
Other (Costs Def. Until Conv./ Accrued deferred interest)	\$	2,202,100	\$	486,618
Total Sources	\$	<u>39,414,387</u>	\$	<u>39,414,387</u>
 Uses of Funds:				
Acquisition/Land Purchase	\$	14,975,000		
Hard Construction Costs	\$	13,346,580		
Architect & Engineering Fees	\$	915,458		
Contractor Overhead & Profit	\$	856,614		
Developer Fee	\$	2,500,000		
Relocation	\$	530,117		
Cost of Issuance	\$	142,599		
Legal Fees	\$	155,500		
Construction & Permanent Financing	\$	1,308,399		
Contingency Cost	\$	2,122,548		
Reserves	\$	1,222,815		
Other Soft Costs (Third Party Reports, Furnishing, Marketing, etc.)	\$	1,338,757		
Total Uses	\$	<u>39,414,387</u>		

Description of Financial Structure and Bond Issuance:

The financial structure for the proposed project will be a private placement transaction provided by Bank of America, N.A. (the "Bank") for both construction and permanent financing. During the construction phase, the loan term will be for 18 months. The interest rate will be a LIBOR floating indicative rate of 1.70%. During the permanent financing phase, the loan term will be for 17 years with an amortization period of 25 years. The interest rate will be a fixed indicative rate equal to the sum of 3.88%. The bonds will be issued by the City and County of San Francisco.

Analyst Comments:

666 Ellis Street is part of the San Francisco Housing Authority's (SFHA) Public Housing Portfolio. The San Francisco Housing Authority currently owns the property and acts as the project's property management agent. Through a competitive RFP process, the City of San Francisco and the SFHA selected Community Housing Partnership ("CHP") to rehabilitate the site and become its property management agent and resident service provider as part of the Department of Housing and Urban Development's Rental Assistance Demonstration (RAD) Program. The building will be owned by 666 Ellis, L.P., of which the managing general partner, CHP 666 RAD, LLC, is a CHP affiliate. 666 Ellis, L.P., has executed an option to enter into a long-term ground lease with the SFHA

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: 60 out of 130
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$22,168,000 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	0
Service Amenities	10	10	0
New Construction	10	10	0
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
Total Points	130	100	60

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.