

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: \$13,265,000

Project Information:
Name: 939 & 951 Eddy Street Apartments
Project Address: 939 Eddy Street; 951 Eddy Street
Project City, County, Zip Code: San Francisco, San Francisco, 94109

Project Sponsor Information:
Name: 939 & 951 Eddy Associates, LP (939 & 951 Eddy GP LLC)
Principals: Donald S. Falk
Property Management Company: Tenderloin Neighborhood Development Corporation

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: 61, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Senior Citizens/Special Needs

The subject property, located at 939 & 951 Eddy Street in San Francisco, California, sits on 0.43 acres. Most of the development in the subject's immediate vicinity is two to six-stories, small to mid-sized, and typically constructed between 1900 and 1940. The subject building is a four-story building constructed in 1900 and includes an outdoor patio/grilling area, secure parking garage, and on-site laundry facilities. The proposed unit configuration includes the following: (36) Studios, (1) 1-Bedroom, (21) 2-Bedrooms and (3) 3-Bedrooms. The scope of work for the buildings include elevator modernization, seismic strengthening of existing soft-story condition, partial upgrade to mechanical systems for energy efficiency, new sprinkler, fire alarm system, and solar hot water system. The rehabilitation also includes renovation of existing workshop space for use as a new community room and conversion of storage rooms into offices for resident services. There will also be significant upgrades to both building's accessibility for handicapped residents with audio-visual features added per ADA/CBC requirements. Rehabilitation of the building is expected to begin in November 2015 and finish in November 2016.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (61 units) restricted to 50% or less of area median income households.
Unit Mix: Studio, 1, 2 & 3 bedrooms

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:	\$ 23,088,936	
Estimated Hard Costs per Unit:	\$ 125,979	(\$7,684,720 /61 units)
Estimated per Unit Cost:	\$ 378,507	(\$23,088,936 /61 units)
Allocation per Unit:	\$ 217,459	(\$13,265,000 /61 units)
Allocation per Restricted Rental Unit:	\$ 217,459	(\$13,265,000 /61 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 13,265,000	\$ 1,917,000
Developer Equity	\$ 0	\$ 500,000
LIH Tax Credit Equity	\$ 394,937	\$ 9,798,751
Seller Carryback Loan	\$ 6,573,620	\$ 6,573,620
Direct & Indirect Public Funds	\$ 1,143,016	\$ 4,053,054
Other (Costs Def. Until Conv./ Accrued deferred interest)	\$ 1,712,363	\$ 246,511
Total Sources	\$ 23,088,936	\$ 23,088,936

Uses of Funds:	
Acquisition/Land Purchase	\$ 7,900,000
Hard Construction Costs	\$ 6,467,651
Architect & Engineering Fees	\$ 994,920
Contractor Overhead & Profit	\$ 202,039
Developer Fee	\$ 2,500,000
Relocation	\$ 798,941
Cost of Issuance	\$ 170,122
Legal Fees	\$ 102,500
Construction & Permanent Financing	\$ 845,403
Contingency Cost	\$ 1,217,069
Reserves	\$ 818,963
Other Soft Costs (Third Party Reports, Furnishing, Marketing, etc.)	\$ 1,071,328
Total Uses	\$ 23,088,936

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 floating indicative rate of 1.70%. During the permanent financing phase, the loan term amortization period will both be for 15 years. The interest rate will be a fixed indicative rate equal to the sum of 3.71%. The bonds will be issued by the City and County of San Francisco.

Analyst Comments:

The project is currently owned by the San Francisco Housing Authority and is subject to HUD contracts affecting the development and its use thereof through the placement of rental restrictions to provide affordable housing in the area.

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:

70 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$13,265,000 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	0
New Construction	10	10	0
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
Total Points	130	100	70

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.