

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**March 16, 2016**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Louise Eller*

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**Applicant:** City and County of San Francisco

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**Allocation Amount Requested:** Tax-exempt: \$32,100,000

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**Project Information:**  
**Name:** 1036 Mission Family Housing Apartments  
**Project Address:** 1036 Mission Street  
**Project City, County, Zip Code:** San Francisco, San Francisco, 94103

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**Project Sponsor Information:**  
**Name:** 1036 Mission Associates, L.P.  
**Principals:** Donald S. Falk, Chief Executive Officer, Paul Sussman, Chief Financial Officer, Elizabeth Orlin, Chief Operating Officer  
**Property Management Company:** Tenderloin Neighborhood Development Corporation (TNDC)

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**Project Financing Information:**  
**Bond Counsel:** Garcia Hernandez Swahney & Bermudez LLP  
Shiff Hardin LLP  
**Underwriter:** Not Applicable  
**Credit Enhancement Provider:** Not Applicable  
**Private Placement Purchaser:** Silicon Valley Bank  
**TEFRA Noticing Date:** October 16, 2015  
**TEFRA Adoption Date:** December 1, 2015

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 83, plus 0 manager units  
**Type:** New Construction  
**Type of Units:** Family

1036 Mission Street Family Housing is a new construction located in the South of Market Neighborhood in San Francisco with Mission Creek to the Southeast and Division Street, 16th Street and US Route 101 to the Southwest. The project will be constructed on a 15,200 sq. ft. site and will be a 9 story, Type 1 mid-rise building with 83 units. 100% of these units will be restricted with 40 units reserved for homeless or at-risk of homelessness families earning no more than 30% of the area median income. Unit breakdown is as follows: 38 one-bedroom, 38 two-bedroom and 7 three-bedroom. Community amenities will include an outdoor courtyard area, community rooftop garden, community room with teaching kitchen and a laundry room. The project will achieve GreenPoint Rated status with energy-efficiency features including solar domestic hot water, a recycled and reclaimed water system, and high-efficiency lighting. Construction is expected to start in May 2016 and complete in November 2017.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%

11% (9 units) restricted to 50% or less of area median income households.

89% (74 units) restricted to 60% or less of area median income households.

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

The proposed project will not be providing service amenities.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

<b>Estimated Total Development Cost:</b>	\$ 56,692,429	
<b>Estimated Hard Costs per Unit:</b>	\$ 346,372	(\$28,748,880 /83 units)
<b>Estimated per Unit Cost:</b>	\$ 683,041	(\$56,692,429 /83 units)
<b>Allocation per Unit:</b>	\$ 386,747	(\$32,100,000 /83 units)
<b>Allocation per Restricted Rental Unit:</b>	\$ 386,747	(\$32,100,000 /83 restricted units)

<b>Sources of Funds:</b>	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 32,100,000	\$ 0
Income from Operations	\$ 1,058,212	\$ 1,058,212
LIH Tax Credit Equity	\$ 1,255,367	\$ 22,911,074
Developer Equity	\$ 0	\$ 1,300,000
SF Mayor's Officer of Housing	\$ 14,611,077	\$ 14,611,077
HCD TOD Funding	\$ 0	\$ 3,000,000
SF MOH/SFRA Acquisition Loan	\$ 5,812,067	\$ 5,812,067
Affordable Housing Program	\$ 1,000,000	\$ 1,000,000
HCD Multifamily Housing Program	\$ 0	\$ 7,000,000
Costs Deferred Until Permanent Loan Closing	\$ 855,706	\$ 0
<b>Total Sources</b>	<b>\$ 56,692,429</b>	<b>\$ 56,692,430</b>

<b>Uses of Funds:</b>	
Land Cost/Acquisition	\$ 6,533,397
Relocation	\$ 67,150
New Construction	\$ 32,077,405
Architectural Fees	\$ 2,412,479
Construction Interest & Fees	\$ 2,636,481
Permanent Financing	\$ 10,000
Legal Fees	\$ 257,708
Reserves	\$ 628,798
Appraisal Costs	\$ 20,000
Contingency Cost	\$ 5,776,615
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 3,629,897
Developer Costs	\$ 2,642,500
<b>Total Uses</b>	<b>\$ 56,692,430</b>

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

This is a Silicon Valley Bank private placement of bonds. During the construction phase, the loan term will be 27 months with one six-month advised extension following the date of recordation of the Deed of Trust. The fixed interest rate will be 2.00%. During advised extensions, the loan will bear interest at a floating rate of 30-day LIBOR plus 200 basis points (currently indicative rate of 2.22%). There are no outstanding bonds for permanent financing. Tax credit equity and public funds are the sources of long-term debt. There was no underwritten rate provided.

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**Analyst Comments:**

None

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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:**

80 out of 140

[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$32,100,000 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
Preservation Project	20	20	0
Exceeding Minimum Income Restrictions:	35	15	25
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	10
Gross Rents	5	5	5
Large Family Units	5	5	0
Leveraging	10	10	10
Community Revitalization Area	5	5	0
Site Amenities	10	10	10
Service Amenities	10	10	0
New Construction or Substantial Renovation	10	10	10
Sustainable Building Methods	10	10	10
Forgone Eligible Developer Fee (Competitive Allocation Process Only)	10	10	0
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	0
Negative Points (No Maximum)	-10	-10	0
<b>Total Points</b>	<b>140</b>	<b>120</b>	<b>80</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.