

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 18, 2016
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Devon King

Applicant: City and County of San Francisco

Allocation Amount Requested: **Tax-exempt:** \$2,220,972

The amount of allocation requested is supplemental to the \$13,779,028 of allocation the Project received on December 16, 2015.

Project Information:

Name: Columbia Park Apartments
Project Address: 1035 Folsom Street
Project City, County, Zip Code: San Francisco, San Francisco, 94103

Project Sponsor Information:

Name: Mercy Housing California 67, L.P. (Mercy Housing Calwest)
Principals: Doug Shoemaker, Joe Rosenblum, Vince Dodds, Amy Bayley for
Mercy Housing Calwest
Property Management Company: Mercy Housing Management Group

Project Financing Information:

Bond Counsel: Quint & Thimmig, LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Silicon Valley Bank (Constr) and CCRC (Perm)
TEFRA Noticing Date: August 18, 2015
TEFRA Adoption Date: September 29, 2015

Description of Proposed Project:

State Ceiling Pool: General
Total Number of Units: 49, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

The Columbia Park Apartments Affordable Housing Project is a 50-unit family housing development. The Project is a 3 story Type V construction over 1 story Type I podium with 3 one-bedroom units, 11 two-bedroom units, 31 three-bedroom units, 4 four-bedroom units and one manager's unit. Additionally there is a community room, elevator, management offices, laundry room, and a 1,175 square foot retail space fronting Folsom Street. The building is clad in stucco, cement fiber lap siding, and corrugated metal and has a parking garage with 50 spaces on the first floor. There is a courtyard on the 2nd floor podium level that residents can access for recreation. The lighting in all areas will be upgraded; the building's exterior will be painted, and the balcony flooring and railings will be replaced. Some units will require immediate replacement of most fixtures and finishes. All apartments are ADA adaptable with some units having accessible modifications installed. It is estimated that construction will start in May of 2016 and will last 10 months.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
41% (20 units) restricted to 50% or less of area median income households.
59% (29 units) restricted to 60% or less of area median income households.
Unit Mix: 1, 2, 3 & 4 bedrooms

The proposed project will not be providing service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

| | | |
|---|---------------|------------------------------------|
| Estimated Total Development Cost: | \$ 28,774,866 | |
| Estimated Hard Costs per Unit: | \$ 134,889 | (\$6,609,584 /49 units) |
| Estimated per Unit Cost: | \$ 587,242 | (\$28,774,866 /49 units) |
| Allocation per Unit: | \$ 45,326 | (\$2,220,972 /49 units) |
| Allocation per Restricted Rental Unit: | \$ 45,326 | (\$2,220,972 /49 restricted units) |

| Sources of Funds: | <u>Construction</u> | <u>Permanent</u> |
|----------------------------------|----------------------|----------------------|
| Tax-Exempt Bond Proceeds | \$ 16,000,000 | \$ 4,257,000 |
| Seller Carryback | \$ 3,552,308 | \$ 3,552,308 |
| LIH Tax Credit Equity | \$ 1,627,988 | \$ 11,286,257 |
| Direct and Indirect Public Funds | \$ 5,028,301 | \$ 5,028,301 |
| Sponsor Loan | \$ 0 | \$ 4,000,000 |
| Developer Equity | \$ 651,000 | \$ 651,000 |
| Total Sources | \$ 26,859,597 | \$ 28,774,866 |

| Uses of Funds: | |
|------------------------------------|----------------------|
| Acquisition/Land Purchase | \$ 13,882,500 |
| Rehabilitation Costs | \$ 7,175,260 |
| Architect Fees | \$ 332,267 |
| Survey & Engineering | \$ 334,449 |
| Contractor Overhead & Profit | \$ 528,766 |
| Developer Fee | \$ 2,540,000 |
| Legal Fees | \$ 105,000 |
| Relocation | \$ 901,780 |
| Cost of Issuance | \$ 390,820 |
| Operating Reserve | \$ 380,179 |
| Construction Interest and Fee | \$ 480,153 |
| Permanent Financing | \$ 32,500 |
| Appraisal Costs | \$ 3,500 |
| Contingency | \$ 1,155,604 |
| Other Soft Costs (Marketing, etc.) | \$ 532,088 |
| Total Uses | \$ 28,774,866 |

Description of Financial Structure and Bond Issuance:

The proposed financial structure will be a private placement provided by Silicon Valley Bank N.A. During the construction financing phase the loan term will be for 18 months with a three month advised extension with a fixed interest rate equal to 1.75% which is calculated on the basis of a 360-day year and actual days elapsed. During the advised extension the loan will bear an interest at a floating rate of 30 day LIBOR plus 160 basis points. During the permanent financing phase, the loan term will be for 17 years with an amortization period of 35 years at a fixed rate equal to the sum of 15-year LIBOR muni bond index plus bps fixed for 17 years.

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.

Recommendation:

Staff recommends that the Committee approve \$2,220,972 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 | 5 |
| Leveraging | 10 | 10 | 10 |
| Community Revitalization Area | 15 | 15 | 0 |
| Site Amenities | 10 | 10 | 2.5 |
| Service Amenities | 10 | 10 | 0 |
| New Construction | 10 | 10 | 0 |
| Sustainable Building Methods | 10 | 10 | 0 |
| Negative Points | -10 | -10 | 0 |
| Total Points | 130 | 100 | 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.