

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

Prepared by: Richard Fischer

Applicant: City and County of San Francisco

Allocation Amount Requested:
Tax-exempt: \$34,043,000

Project Information:
Name: 1750 McAllister Apartments (RAD)
Project Address: 1750 McAllister Street
Project City, County, Zip Code: San Francisco, San Francisco, 94115

Project Sponsor Information:
Name: 1750 McAllister, L.P. (CHP 1750 RAD LLC)
Principals: Patrick Valentino, Gregg Miller, Ali Riker, Jonathan Wyler, Gail Gilman, Eric Fischer, and Alexandra Armenta for CHP 1750 RAD LLC
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./ Freddie Mac
TEFRA Noticing Date: October 16, 2015
TEFRA Adoption Date: December 9, 2015

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 97, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

1750 McAllister Street is an existing, occupied 12-story, reinforced concrete structure built in 1974. It is located on a rectangular parcel that is 28,593 sf or approximately 0.66 acres. 1750 McAllister Street is currently owned by the San Francisco Housing Authority and contains 97 residential units. Those units include 75 studios, 21 one-bedrooms, and 1 two-bedroom, each with their own kitchen and bathroom. The building has 11 spaces for surface parking, a front courtyard, a community room and kitchen, laundry room, and property management and social services offices. Exterior building and common area upgrades will include full modernization of both elevators. Security system upgrades will include new gating and fencing in the front courtyard and parking lot, security cameras on each floor, and a security desk facing the front entrances, as well as improved lighting throughout the building exterior and upgraded intercom system to allow staff to screen visitors. Unit interior upgrades will include new appliances and fixtures, cabinets, flooring, doors, and windows. A total of seven units will be converted to accessible units for hearing and visually impaired residents with the kitchen and bathrooms being reconfigured for accessibility. Construction on the project is expected to begin in September 2016 and continue for 23 months.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (97 units) restricted to 50% or less of area median income households.
Unit Mix: Studio, 1 & 2 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:	\$	60,669,826	
Estimated Hard Costs per Unit:	\$	135,537	(\$13,147,129 /97 units)
Estimated per Unit Cost:	\$	625,462	(\$60,669,826 /97 units)
Allocation per Unit:	\$	350,959	(\$34,043,000 /97 units)
Allocation per Restricted Rental Unit:	\$	350,959	(\$34,043,000 /97 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 City and County of San Francisco's mandates, Construction Type and Materials Selection.

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 34,043,000	\$ 7,252,000
SFHA Seller Carryback Loan (AFR)	\$ 21,830,000	\$ 21,830,000
SFHA Permanent Loan (AFR)	\$ 0	\$ 3,000,000
SF MOHCD Gap Loan (0%)	\$ 0	\$ 208,624
LIH Tax Credit Equity	\$ 1,139,951	\$ 24,699,020
Deferred Developer Fee	\$ 1,772,651	\$ 1,772,651
General Partner Capital Contribution	\$ 0	\$ 500,000
Accrued/ Deferred Interest	\$ 1,407,530	\$ 1,407,530
Total Sources	\$ 60,193,132	\$ 60,669,825
Uses of Funds:		
Land Cost/Acquisition	\$ 25,498,250	
Rehabilitation	\$ 15,817,042	
Relocation	\$ 814,684	
Architectural Fees	\$ 1,110,820	
Survey & Engineering	\$ 87,036	
Construction, Interest and Fees	\$ 4,251,900	
Permanent Financing	\$ 10,000	
Legal Fees	\$ 35,000	
Reserves	\$ 2,069,195	
Appraisal	\$ 6,000	
Contingency Cost	\$ 5,432,336	
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 1,266,219	
Developer Costs	\$ 4,271,343	
Total Uses	\$ 60,669,825	

Description of Financial Structure and Bond Issuance:

This Bond issuance is a City and County of San Francisco private placement issuance through the Bank of America N.A., with the permanent lender being Freddie Mac. During the construction financing phase the loan term will be for 36 months with a variable interest rate of 2.23%. During the permanent financing phase, the loan term will be for 18 years with an amortization period of 30 years at a fixed rate of 4.16%.

Analyst Comments:

None

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: 77.5 out of 140

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$34,043,000 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	35
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	7.5
Service Amenities	10	10	0
New Construction or Substantial Renovation	10	10	10
Sustainable Building Methods	10	10	0
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
Total Points	140	120	77.5

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.