

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: \$88,354,000
-------------------------------------	---------------------------------

Project Information:	Name: Ping Yuen North Apartments (RAD)
	Project Address: 838 Pacific Avenue
	Project City, County, Zip Code: San Francisco, San Francisco, 94133

Project Sponsor Information:	Name: North Ping Yuen, L.P. (Chinatown Public Housing LLC)
	Principals: Norman Fong, Cindy Wu, Susie Wong and Amy Chung for Chinatown Public Housing LLC
	Property Management Company: Chinatown Community Development Center

Project Financing Information:	Bond Counsel: Squire Patton Boggs (US) LLP
	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: 199, plus 1 manager unit
	Type: Acquisition and Rehabilitation
	Type of Units: Family

Ping Yuen North, located at 838 Pacific Avenue between Powell and Cordelia Streets in San Francisco, is a 200-unit housing development for low-income families. When renovation is complete the project will include more adequately sized and configured community space, resident services and property management offices, and a laundry facility, as well as an expanded community room, a new laundry room located near the elevator tower, as well as new resident services and property management offices on the ground floor of the building. All of the major systems – plumbing, mechanical, electrical, and structural – are original to the building and in need of upgrade to modern standards. Windows and roof will be replaced, new traffic coatings will be applied in the hallways, and a ventilation system in the units will be created. Units will feature new resilient flooring in the kitchens and bathrooms and living areas. and a fresh coat of paint throughout. The existing heating system will be

upgraded with new hydronic heating units, and all units will have phone jacks and cable hookups. Twenty (20) units, or 5% of the total units will be reconfigured to be fully accessible to people with physical disabilities and/or hearing and visual impairments. This includes one (1) studio, one (1) one-bedroom, seventeen (7) two-bedroom, and one (1) three-bedroom unit. All units, including the ADA units, will be upgraded with new kitchen appliances, countertops, and cabinetry. Unit bathrooms will also be provided with plumbing fixtures, shower surrounds, and other improvements. New flooring and paint will also be provided in all units. Construction is expected to start by 9/1/16 and to be completed by 8/1/19. This 3-year construction period is driven by both the project scope and the temporary relocation schedule.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 96%
96% (191 units) restricted to 50% or less of area median income households.
Unit Mix: Studio, 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:

Estimated Total Development Cost:	\$ 159,488,726	
Estimated Hard Costs per Unit:	\$ 217,214	(\$43,225,599 /199 units)
Estimated per Unit Cost:	\$ 801,451	(\$159,488,726 /199 units)
Allocation per Unit:	\$ 443,990	(\$88,354,000 /199 units)
Allocation per Restricted Rental Unit:	\$ 462,586	(\$88,354,000 /191 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, twelve-story tower above grade, lead and asbestos abatement and site related challenges.

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 88,354,000	\$ 6,410,000
Perm Loan Tax Exempt Tranche B	\$ 0	\$ 20,346,000
SFHA Seller Carryback Loan (2.62%)	\$ 58,742,347	\$ 58,742,347
SFHA Permanent Loan (AFR)	\$ 0	\$ 2,500,000
LIH Tax Credit Equity	\$ 3,054,724	\$ 63,279,488
Deferred Developer Fee	\$ 3,080,626	\$ 3,080,626
General Partner Capital Contribution	\$ 0	\$ 100
Costs Deferred until Completion	\$ 1,126,864	\$ 0
Accrued/ Deferred Interest	\$ 5,130,165	\$ 5,130,165
Total Sources	\$ 159,488,726	\$ 159,488,726
Uses of Funds:		
Land Cost/Acquisition	\$ 63,564,213	
Rehabilitation	\$ 49,483,471	
Relocation	\$ 7,637,192	
Architectural Fees	\$ 2,703,049	
Survey & Engineering	\$ 427,950	
Construction, Interest and Fees	\$ 13,570,234	
Permanent Financing	\$ 5,000	
Legal Fees	\$ 110,000	
Reserves	\$ 3,436,867	
Appraisal	\$ 6,000	
Contingency Cost	\$ 9,855,437	
Permit Processing Fees	\$ 860,000	
Construction Period Services	\$ 519,629	
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 1,309,684	
Developer Costs	\$ 6,000,000	
Total Uses	\$ 159,488,726	

Description of Financial Structure and Bond Issuance:

This Bond issuance is a City and County of San Francisco private placement issuance through Bank of America, N.A., with the permanent lender being Freddie Mac. During the construction financing phase the loan term will be for 48 months with a variable interest rate of 2.38%. During the permanent financing phase, the loan term will be for 18 years with an amortization period of 35 years at a fixed rate of 4.62%.

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:

80 out of 140

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$88,354,000 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	10
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	80

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.