

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: Louise Eller

Applicant: City and County of San Francisco

Allocation Amount Requested:
Tax-exempt: \$50,000,000

Project Information:
Name: Francis of Assisi Community Apartments
Project Address: 145 Guerrero Street
Project City, County, Zip Code: San Francisco, San Francisco, 94103

Project Sponsor Information:
Name: Mercy Housing California 69, L.P. (Mercy Housing Calwest)
Principals: Barbara Gualco, Chris Burckhardt, Doug Shoemaker, Vince Dodds and Joe Rosenblum for Mercy Housing Calwest
Property Management Company: Mercy Housing Management Group

Project Financing Information:
Bond Counsel: Stradling, Yocca, Carlson & Rauth
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, N.A.
TEFRA Noticing Date: October 16, 2015
TEFRA Adoption Date: October 30, 2015

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 108, plus 2 manager units
Type: Acquisition and Rehabilitation
Type of Units: Senior Citizens

Francis of Assisi is a senior project constructed in 1978 and consists one rectangular six-story apartment building and one single-story community building. Both buildings are of concrete, CMU and metal frame construction. The project is located in San Francisco's Mission Dolores District. The 110 units are made up of 108 one-bedrooms and 2 two-bedroom managers' units. 56 of these units will be reserved for tenants earning no more than 50% AMI and 52 will be reserved for tenants earning no more than 60% of AMI. All units will be reserved for senior citizens. The amenities include a laundry room, an activity room and a multi-purpose room. The renovation and modernization of Francis of Assisi will improve the building's energy performance as well as upgrade exterior and interior finishes and fixtures. The proposed scope of work will include life safety and accessibility improvements, voluntary seismic upgrade, repair of building systems and equipment, interior unit renovations and energy use reduction. The rehabilitation will require all households to move temporarily in order for construction staff to perform the scope of work. Construction is anticipated to begin in August of 2016 and continue through October of 2017.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

52% (56 units) restricted to 50% or less of area median income households.

48% (52 units) restricted to 60% or less of area median income households.

Unit Mix: 1 bedroom

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:	\$	87,712,576	
Estimated Hard Costs per Unit:	\$	148,753	(\$16,065,289 /108 units)
Estimated per Unit Cost:	\$	812,153	(\$87,712,576 /108 units)
Allocation per Unit:	\$	462,963	(\$50,000,000 /108 units)
Allocation per Restricted Rental Unit:	\$	462,963	(\$50,000,000 /108 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 50,000,000	\$ 19,761,500
Seller Note	\$ 31,268,374	\$ 31,268,374
LIH Tax Credit Equity	\$ 1,655,933	\$ 29,552,338
Tax Credit Proceeds	\$ 0	\$ 4,393,844
Income from Operations	\$ 2,397,519	\$ 2,397,519
Cash from Reserves	\$ 339,000	\$ 339,000
Total Sources	\$ 85,660,826	\$ 87,712,575

Uses of Funds:	
Land Cost/Acquisition	\$ 58,123,100
Relocation	\$ 575,000
Rehabilitation	\$ 17,734,306
Architectural Fees	\$ 1,050,000
Survey and Engineering	\$ 195,000
Construction Interest and Fees	\$ 2,680,000
Permanent Financing	\$ 875,100
Legal Fees	\$ 40,000
Reserves	\$ 945,188
Contingency Cost	\$ 2,533,472
Appraisal	\$ 7,500
Permit Processing Fees	\$ 120,000
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 333,909
Developer Costs	\$ 2,500,000
Total Uses	\$ 87,712,575

Description of Financial Structure and Bond Issuance:

The bonds will be purchased in a private placement transaction by Citibank, N.A. During the construction financing phase the loan term will be for 24 months plus one 6-month extension with a variable interest rate equal to 1 month LIBOR plus a spread of 2.00%. At the time of the commitment letter, the all-in rate was approximately 2.44%. During the permanent financing phase, the loan term will be for 32 years with an amortization period of 15 years from conversion date at a fixed rate equal to the sum of 18-year LIBOR swap rates, plus a spread of 2.25%. Currently the indicated rate is 4.25%.

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 \$50,000,000 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	20
Exceeding Minimum Income Restrictions:	35	15	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	0
Gross Rents	5	5	5
Large Family Units	5	5	0
Leveraging	10	10	0
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	110	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.