

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**September 21, 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: \$49,454,000

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**Project Information:**  
**Name:** Potrero Block X Apartments  
**Project Address:** 1101 Connecticut Street  
**Project City, County, Zip Code:** San Francisco, San Francisco, 94107

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**Project Sponsor Information:**  
**Name:** Potrero Housing Associates I, LP (MCB Family Housing, Inc)  
**Principals:** Cynthia Parker, Susan M. Johnson, D. Kemp Valentine, Rebecca Hlebasko, Kimberly KcKay and Ann Silverberg for MCB Family Housing, Inc.  
**Property Management Company:** BRIDGE Property Management Company

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**Project Financing Information:**  
**Bond Counsel:** Jones Hall, A Professional Law Corporation  
**Private Placement Purchaser:** Citibank, N.A.  
**Public Sale:** Not Applicable  
**Underwriter:** Not Applicable  
**TEFRA Noticing Date:** March 31, 2016  
**TEFRA Adoption Date:** May 17, 2016

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 71, plus 1 manager unit  
**Type:** New Construction  
**Type of Units:** Family

Potrero Block X is a new construction project located in San Francisco on a 0.69 acre site. The project consists of 71 restricted rental units and 1 manager's unit. The project will have 2 studios, 10 one-bedroom units, 50 two-bedroom units and 9 three-bedroom units. The building will be 5 stories of type 3A construction over a type 1A concrete podium. The U-shaped type III building surrounds a landscaped south-facing courtyard. Common amenities include a large community room, laundry facilities on each floor, services/management offices and one bike parking space per unit. Each unit will have a refrigerator, range/oven, dishwasher, garbage disposal and microwave. There are 29 parking spaces provided. The project will be pursuing a LEED Silver certification. Green features include both solar hot water and photovoltaic panels to offset common hot water and energy loads, water efficient fixtures and Energy Star appliances, a greywater system for irrigation, environmentally preferable, low emitting flooring and paint, and reduced formaldehyde in interior finish materials. The construction is expected to begin November 2016 and complete in March 2018.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%  
55% (39 units) restricted to 50% or less of area median income households.  
45% (32 units) restricted to 60% 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:**

|                                               |    |            |                                                 |
|-----------------------------------------------|----|------------|-------------------------------------------------|
| <b>Estimated Total Development Cost:</b>      | \$ | 64,425,307 |                                                 |
| <b>Estimated Hard Costs per Unit:</b>         | \$ | 534,264    | (\$37,932,716 /71 units)                        |
| <b>Estimated per Unit Cost:</b>               | \$ | 894,796    | (\$64,425,307 /72 units including manager unit) |
| <b>Allocation per Unit:</b>                   | \$ | 696,535    | (\$49,454,000 /71 units)                        |
| <b>Allocation per Restricted Rental Unit:</b> | \$ | 696,535    | (\$49,454,000 /71 restricted units)             |

| <b>Sources of Funds:</b>             | <u>Construction</u>  | <u>Permanent</u>     |
|--------------------------------------|----------------------|----------------------|
| Tax-Exempt Bond Proceeds             | \$ 49,454,000        | \$ 12,615,000        |
| San Francisco MOHCD Gap Loan         | \$ 9,098,447         | \$ 9,098,447         |
| San Francisco MOHCD Predev Loan      | \$ 630,000           | \$ 630,000           |
| LIH Tax Credit Equity                | \$ 1,470,741         | \$ 29,267,317        |
| Deferred Developer Fee               | \$ 1,853,800         | \$ 1,853,800         |
| Accrued/Deferred Interest            | \$ 510,743           | \$ 510,743           |
| Costs Deferred Until Conversion      | \$ 1,555,076         | \$ 0                 |
| General Partner Equity               | \$ 0                 | \$ 500,000           |
| Citi Subordinate Loan                | \$ 0                 | \$ 1,200,000         |
| AHSC Hsg-Related Infrastructure Loan | \$ 0                 | \$ 1,500,000         |
| AHSC Loan                            | \$ 0                 | \$ 7,250,000         |
| <b>Total Sources</b>                 | <b>\$ 64,572,807</b> | <b>\$ 64,425,307</b> |

| <b>Uses of Funds:</b>                             |                      |
|---------------------------------------------------|----------------------|
| Land Cost/Acquisition                             | \$ 2,758,042         |
| Master Planning Costs/Outreach                    | \$ 780,000           |
| Predevelopment Interest/Hold Cost                 | \$ 100,000           |
| New Construction                                  | \$ 37,936,378        |
| Contractor Overhead                               | \$ 543,319           |
| Architectural Fees                                | \$ 1,673,430         |
| Survey and Engineering                            | \$ 871,872           |
| Construction Interest and Fees                    | \$ 4,377,599         |
| Permanent Financing                               | \$ 166,150           |
| Legal Fees                                        | \$ 107,500           |
| Reserves                                          | \$ 674,461           |
| Appraisal                                         | \$ 15,000            |
| Contingency Cost                                  | \$ 6,219,238         |
| Local Development Impact Fees                     | \$ 605,495           |
| Other Project Costs (Soft Costs, Marketing, etc.) | \$ 3,243,023         |
| Developer Costs                                   | \$ 4,353,800         |
| <b>Total Uses</b>                                 | <b>\$ 64,425,307</b> |

**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:**

72.5 out of 140

[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approves \$49,454,000 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<br>[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                                               | 0             |
| Community Revitalization Area                                                                        | 5                                                    | 5                                                | 0             |
| Site Amenities                                                                                       | 10                                                   | 10                                               | 2.5           |
| Service Amenities                                                                                    | 10                                                   | 10                                               | 0             |
| New Construction or Substantial Renovation                                                           | 10                                                   | 10                                               | 10            |
| Sustainable Building Methods                                                                         | 10                                                   | 10                                               | 10            |
| Forgone Eligible Developer Fee<br>(Competitive Allocation Process Only)                              | 10                                                   | 10                                               | 0             |
| Minimum Term of Restrictions<br>(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>72.5</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.