

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 17, 2017
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
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Allocation Amount Requested:	
Tax-exempt:	\$14,450,000

Project Information:	
Name:	Alice Griffith Phase 4 Apartments
Project Address:	2800 Arelious Walker Drive
Project City, County, Zip Code:	San Francisco, San Francisco, 94124

Project Sponsor Information:	
Name:	Alice Griffith Phase 4, L.P. (Alice Griffith Phase 4 MBS GP, Inc. and Tabernacle Community Development Corporation)
Principals:	Michael C. Duffy, Kim Hartmann, Vincent R. Bennett and Hillary B. Zimmerman for Alice Griffith Phase 4 MBS GP, Inc. Rev. Lane Hawkins, Rev. J. Edgar Boyd, Rev. Dr. Arelious Walker, Billy Ray Taylor, Malcolm Byrd and Dr. James McCray, Jr. for Tabernacle Community Development Corporation.
Property Management Company:	McCormack Baron Management, Inc.

Project Financing Information:	
Bond Counsel:	Jones Hall, A Professional Law Corporation
Private Placement Purchaser:	JPMorgan Chase Bank, N.A.
Cash Flow Permanent Bond:	Not Applicable
Public Sale:	Not Applicable
Underwriter:	Not Applicable
Credit Enhancement Provider:	Not Applicable
Rating:	Not Applicable
TEFRA Noticing Date:	September 13, 2016
TEFRA Adoption Date:	November 1, 2016

Description of Proposed Project:	
State Ceiling Pool:	General
Total Number of Units:	31
Manager's Units:	1 Restricted
Type:	New Construction
Population Served:	Family

Alice Griffith Phase 4 Apartments is a new construction project located in San Francisco on a 0.81-acre site. The project consists of 29 restricted rental units, 1 market rate unit and 1 restricted manager unit. The project will have 12 one-bedroom units, 5 two-bedroom units, 10 four-bedroom units and 3 five-bedroom units. The units will be built on concrete slab on grade utilizing wood frame construction. Common amenities include a play area, built-in barbeque and bike parking. Each unit will have a refrigerator, range/oven with ventilating hood, dishwasher, microwave and cabinet storage. There are 18 parking spaces provided. The project will be pursuing Leadership in Energy & Environmental Design (LEED) for Homes. The construction is expected to begin July 2017 and completed in September 2018.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 97%
52% (16 units) restricted to 50% or less of area median income households.
45% (14 units) restricted to 60% or less of area median income households.
Unit Mix: 1, 2, 4 & 5 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:	\$ 27,284,741	
Estimated Hard Costs per Unit:	\$ 513,959	(\$15,932,725 /31 units including mgr. units)
Estimated per Unit Cost:	\$ 880,153	(\$27,284,741 /31 units including mgr. units)
Allocation per Unit:	\$ 466,129	(\$14,450,000 /31 units including mgr. units)
Allocation per Restricted Rental Unit:	\$ 481,667	(\$14,450,000 /30 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 14,450,000	\$ 6,800,000
LIH Tax Credit Equity	\$ 1,472,700	\$ 9,818,003
City of San Francisco OCII Loan	\$ 8,271,038	\$ 8,941,738
City of San Francisco MOHCD/CNI Loan	\$ 1,725,000	\$ 1,725,000
Total Sources	<u>\$ 25,918,738</u>	<u>\$ 27,284,741</u>

Uses of Funds:	
New Construction	\$ 17,450,550
Contractor Overhead & Profit	\$ 749,450
Architectural Fees	\$ 1,123,000
Survey and Engineering	\$ 629,000
Construction Interest and Fees	\$ 1,164,731
Permanent Financing	\$ 110,500
Legal Fees	\$ 420,000
Reserves	\$ 241,000
Appraisal	\$ 10,000
Hard Cost Contingency	\$ 1,820,000
Other Project Costs	\$ 2,066,510
Developer Costs	\$ 1,500,000
Total Uses	<u>\$ 27,284,741</u>

Analyst Comments:

This project is considered a high cost per unit project. The cost of labor and materials in San Francisco has increased drastically over the last 3 years and the land costs in San Francisco are very high. In addition, the project has only 31 units and does not benefit from economies of scale. Many of these units are large four- and five-bedroom units. The project will be located on soft/low quality soil, adding to the total cost.

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:

86.5 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$14,450,000 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	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	5
Leveraging	10	10	10
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	9
Forgone Eligible Developer Fee (Competitive Allocation Process Only)	10	10	N/A
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	N/A
Negative Points (No Maximum)	-10	-10	0
Total Points	140	120	86.5

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.