

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: Sarah Lester

Applicant:	City and County of San Francisco
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Allocation Amount Requested:	
Tax-exempt:	\$43,000,000

Project Information:	
Name:	455 Fell Street Apartments
Project Address:	455 Fell Street
Project City, County, Zip Code:	San Francisco, San Francisco, 94102

Project Sponsor Information:	
Name:	455 Fell, LP (Mercy Housing Calwest and SFHDC Hayes Valley LLC)
Principals:	Doug Shoemaker, Valerie Agostino, Barbara Gualco, Jane Graf, Stephan Daues, Ed Holder, Steve Spears, Sheela Jivan, Melissa Clayton, Bruce Saab, Jennifer Dolin, Joe Rosenblum, Vince Dodds and Amy Bayley for Mercy Housing Calwest; Christine Johnson, Andrico Q. Penick, Ben Golvin, Eve Combs, Jim Escobedo, Josis Ramirez, Chuck Turner, Dorris Vincent Eddie Walker and Daniel Y. Wong for SFHDC Hayes Valley LLC
Property Management Company:	Mercy Housing Management Group

Project Financing Information:	
Bond Counsel:	Squire Patton Boggs (US) LLP
Private Placement Purchaser:	Citibank, 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:	April 4, 2016
TEFRA Adoption Date:	June 7, 2016

Description of Proposed Project:	
State Ceiling Pool:	General
Total Number of Units:	108
Manager's Units:	1 Unrestricted
Type:	New Construction
Population Served:	Family

455 Fell Street Apartments is a new construction project located in San Francisco on a 0.86-acre site. The project consists of 107 rental units and 1 unrestricted managers' unit. The project will have 1 studio unit, 57 one-bedroom units, 41 two-bedroom units and 8 three-bedroom units. The project is comprised of two mixed use buildings including ground floor retail and restaurant uses. One building will be up to five stories and the second will be a two story building containing two-story rowhouses situated around a central courtyard. Common amenities include a community garden and 108 Class II bicycle parking spaces. Each unit will have a refrigerator and a range/oven. The construction is expected to begin May 2017 and completed in September 2018.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
50% (54 units) restricted to 50% or less of area median income households.
50% (53 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:

Estimated Total Development Cost:	\$ 64,883,249	
Estimated Hard Costs per Unit:	\$ 402,367	(\$43,455,602 /108 units including mgr. units)
Estimated per Unit Cost:	\$ 600,771	(\$64,883,249 /108 units including mgr. units)
Allocation per Unit:	\$ 398,148	(\$43,000,000 /108 units including mgr. units)
Allocation per Restricted Rental Unit:	\$ 401,869	(\$43,000,000 /107 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 43,000,000	\$ 3,170,000
LIH Tax Credit Equity	\$ 2,923,832	\$ 29,116,686
GP Equity	\$ 0	\$ 1,727,833
Deferred Developer Fee	\$ 0	\$ 472,167
City of San Francisco Loan	\$ 15,359,000	\$ 15,359,000
HCD - AHSC	\$ 0	\$ 15,037,563
Total Sources	\$ 61,282,832	\$ 64,883,249

Uses of Funds:	
Land Cost/Acquisition	\$ 20,000
New Construction	\$ 47,035,935
Contractor Overhead & Profit	\$ 2,298,114
Architectural Fees	\$ 2,408,770
Survey and Engineering	\$ 153,210
Construction Interest and Fees	\$ 3,074,375
Permanent Financing	\$ 81,110
Legal Fees	\$ 135,000
Reserves	\$ 524,041
Appraisal	\$ 20,000
Hard Cost Contingency	\$ 2,465,672
Local Development Impact Fees	\$ 648,668
Other Project Costs	\$ 1,818,354
Developer Costs	\$ 4,200,000
Total Uses	\$ 64,883,249

Analyst Comments:

The total development cost per unit is \$593,338. The main factor contributing to the high cost per unit is the hard construction budget. The project will be constructed in a dense, busy neighborhood on an infill site. The Planning approvals call for the development's design to meet the high standards set by the Market-Octavia design guidelines.

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:

75 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$43,000,000 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	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	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	5
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	75

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.