

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 19, 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

Allocation Amount Requested:
Tax-exempt: \$51,000,000

Project Information:
Name: 1150 3rd Street Apartments
Project Address: 1150 Third Street
Project City, County, Zip Code: San Francisco, San Francisco, 94158

Project Sponsor Information:
Name: MB3E, LP (CCDC-MB3E LLC and Swords-MB3E LLC)
Principals: Norman Fong, Cindy Wu, Karen Gansen, Philip Chin, Greg Chin and Winston Lee for CCDC-MB3E LLC; Michael Blecker, John Beem, Leon Winston and Michael Fassler for Swords-MB3E LLC
Property Management Company: Chinatown Community Development Center, Inc.

Project Financing Information:
Bond Counsel: Jones Hall, A Professional Law Corporation
Private Placement Purchaser: Silicon Valley Bank (construction)/California Community Reinvestment Corporation (permanent)
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 10, 2017
TEFRA Adoption Date: May 9, 2017

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 119
Manager's Units: 1 Unrestricted
Type: New Construction
Population Served: Family

1150 3rd Street Apartments is a new construction project located in San Francisco on a 1.08-acre site. The project consists of 118 restricted rental units and 1 unrestricted manager's unit. The project will have 12 studio units, 55 one-bedroom units, 31 two-bedroom units and 21 three-bedroom units. The building will consist of multi-levels and organized into three wings around a central courtyard. The building is all Type V over Type I construction. Common amenities include a community room and kitchen, a computer lab, a multi-purpose room, laundry facilities, management offices and bike parking. Each unit will have an energy efficient refrigerator, electric range/oven and range hood. The construction is expected to begin November 2017 and completed in November 2019.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
19% (22 units) restricted to 50% or less of area median income households.
81% (96 units) restricted to 60% or less of area median income households.
Unit Mix: 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: \$ 78,470,580
Estimated Hard Costs per Unit: \$ 453,892 (\$54,013,198 /119 units including mgr. units)
Estimated per Unit Cost: \$ 659,417 (\$78,470,580 /119 units including mgr. units)
Allocation per Unit: \$ 428,571 (\$51,000,000 /119 units including mgr. units)
Allocation per Restricted Rental Unit: \$ 432,203 (\$51,000,000 /118 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 51,000,000	\$ 13,666,400
LIH Tax Credit Equity	\$ 3,997,543	\$ 29,682,603
Deferred Developer Fee	\$ 1,100,000	\$ 1,100,000
Deferred Costs	\$ 1,351,460	\$ 0
San Francisco OCII Loan	\$ 20,093,600	\$ 20,093,600
HCD VHHP Loan	\$ 0	\$ 10,000,000
Accrued Interest on City Loan	\$ 927,977	\$ 927,977
GP Contribution	\$ 0	\$ 1,000,000
AHP	\$ 0	\$ 2,000,000
Total Sources	\$ 78,470,580	\$ 78,470,580

Uses of Funds:	
Land Cost/Acquisition	\$ 15,000
New Construction	\$ 55,208,181
Contractor Overhead & Profit	\$ 1,672,975
Architectural Fees	\$ 2,674,756
Survey and Engineering	\$ 18,000
Construction Interest and Fees	\$ 6,476,115
Permanent Financing	\$ 198,664
Legal Fees	\$ 50,000
Reserves	\$ 693,080
Appraisal	\$ 25,000
Hard Cost Contingency	\$ 5,688,116
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 2,250,693
Developer Costs	\$ 3,500,000
Total Uses	\$ 78,470,580

Analyst Comments:

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: 1) Demand in current real estate boom in SF; 2) Prevailing wages; 3) Site characteristics and design requirements (primarily foundation related); 4) Poor Soil Conditions; 5) Costs for design anticipated settlement of the site; 6) Local Hiring; 7) Local Public Utilities Commission requirements (treatment of storm water & bio-filtration design elements; and 8) Design guidelines governing all projects in Mission Bay Redevelopment Area.

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:

74 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$51,000,000 in tax exempt bond allocation on a carryforward basis.

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	29
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	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	74