

**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: Ruben Barcelo*

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<b>Applicant:</b>	<b>City and County of San Francisco</b>
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<b>Allocation Amount Requested:</b>	<b>Tax-exempt:</b> \$30,000,000
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<b>Project Information:</b>	<b>Name:</b> Britton Courts Apartments
	<b>Project Address:</b> 171 Loehr Street (aka 1250 Sunnydale Avenue)
	<b>Project City, County, Zip Code:</b> San Francisco, San Francisco, 94134

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<b>Project Sponsor Information:</b>	<b>Name:</b> Mercy Housing California 74, L.P. (Mercy Housing Calwest)
	<b>Principals:</b> 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
	<b>Property Management Company:</b> Mercy Housing Management Group

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<b>Project Financing Information:</b>	<b>Bond Counsel:</b> Curls Bartling P.C.
	<b>Private Placement Purchaser:</b> Citibank, N.A.
	<b>Cash Flow Permanent Bond:</b> Not Applicable
	<b>Public Sale:</b> Not Applicable
	<b>Underwriter:</b> Not Applicable
	<b>Credit Enhancement Provider:</b> Not Applicable
	<b>Rating:</b> Not Applicable
	<b>TEFRA Noticing Date:</b> April 20, 2017
	<b>TEFRA Adoption Date:</b> June 6, 2017

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<b>Description of Proposed Project:</b>	<b>State Ceiling Pool:</b> General
	<b>Total Number of Units:</b> 92
	<b>Manager's Units:</b> 1 Unrestricted
	<b>Type:</b> Acquisition and Rehabilitation
	<b>Population Served:</b> Family

Britton Courts Apartments is an existing project located in San Francisco on a 3.7-acre site. The project consists of 91 restricted rental units and 1 unrestricted manager's unit. The project includes 63 two-bedroom units, 21 three-bedroom units and 8 four-bedroom units. Building exterior renovations will consist of repair or replacement of siding, guardrails and handrails, trellises, roofs, rain gutters, windows, patio doors, water heaters and new paint. Interior renovations will include repair and upgrades to the community room and restroom, laundry facilities and management office. Individual apartment units will be updated with new cabinets, countertops, kitchen appliances, doors, flooring, lighting, tubs and fixtures, exhaust fans, window coverings and new paint. Lastly, common or site area renovations will consist of new garage doors, fencing, lighting, parking re-seal and re-stripe, signage and landscaping. The rehabilitation is expected to begin in January 2018 and to be completed in April 2019.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%

51% (46 units) restricted to 50% or less of area median income households.

49% (45 units) restricted to 60% or less of area median income households.

**Unit Mix:** 2, 3 & 4 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>	\$	54,047,445	
<b>Estimated Hard Costs per Unit:</b>	\$	192,234	(\$17,685,545 /92 units including mgr. units)
<b>Estimated per Unit Cost:</b>	\$	587,472	(\$54,047,445 /92 units including mgr. units)
<b>Allocation per Unit:</b>	\$	326,087	(\$30,000,000 /92 units including mgr. units)
<b>Allocation per Restricted Rental Unit:</b>	\$	329,670	(\$30,000,000 /91 restricted units)

<b>Sources of Funds:</b>	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 30,000,000	\$ 4,088,100
Tranche B Financing	\$ 0	\$ 6,716,100
LIH Tax Credit Equity	\$ 2,447,882	\$ 17,103,627
Investor Equity/ Column Financial	\$ 2,133,296	\$ 2,133,296
Seller Carryback Loan	\$ 3,663,726	\$ 3,663,726
Sponsor Reserves Loan	\$ 305,555	\$ 305,555
GP contribution-Sponsor Loan	\$ 0	\$ 5,500,000
Net Income From Operations	\$ 1,450,767	\$ 1,450,767
San Francisco CDBG	\$ 3,714,702	\$ 3,714,702
San Francisco HOME #1	\$ 7,431,241	\$ 7,431,241
San Francisco HOME #2	\$ 1,051,189	\$ 1,051,189
San Francisco HOME #3	\$ 385,981	\$ 385,981
San Francisco HOME #4	\$ 503,161	\$ 503,161
Total Sources	\$ 53,087,500	\$ 54,047,445

<b>Uses of Funds:</b>	
Land Cost/Acquisition	\$ 21,750,000
Rehabilitation	\$ 17,364,036
Relocation	\$ 1,507,980
Transfer Tax	\$ 600,000
Contractor Overhead & Profit	\$ 1,135,964
Architectural Fees	\$ 1,070,019
Survey and Engineering	\$ 250,000
Construction Interest and Fees	\$ 2,543,617
Permanent Financing	\$ 678,630
Legal Fees	\$ 50,000
Reserves	\$ 1,211,500
Appraisal	\$ 20,000
Hard Cost Contingency	\$ 2,775,000
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 590,699
Developer Costs	\$ 2,500,000
Total Uses	\$ 54,047,445

**Analyst Comments:**

This project is considered high cost. The developer noted high acquisition costs as the primary reason.

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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:**

84.5 out of 140 [See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approves \$30,000,000 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	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	5
Leveraging	10	10	2
Community Revitalization Area	5	5	0
Site Amenities	10	10	7.5
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
<b>Total Points</b>	<b>140</b>	<b>110</b>	<b>84.5</b>