

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 13, 2017
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Richard Fischer

Applicant:	City and County of San Francisco
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Allocation Amount Requested:	Tax-exempt: \$45,000,000
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Project Information:	Name: Dorothy Day Community Apartments
	Project Address: 54 McAllister Street
	Project City, County, Zip Code: San Francisco, San Francisco, 94102

Project Sponsor Information:	Name: Mercy Housing 75, L.P. (Mercy Housing Calwest)
	Principals: Doug Shoemaker, Valerie Agostino, Barbara Gualco, Jane Graf, Stephan Daues, Ed Holder, Steve Spears, Benjamin Phillips, Sheela Jivan, Melissa Clayton, Bruce Saab, Jennifer Dolin, and Vince Dodds for Mercy Housing Calwest
	Property Management Company: Mercy Housing Management Group

Project Financing Information:	Bond Counsel: Norton Rose Fullbright 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 11, 2017
	TEFRA Adoption Date: June 1, 2017

Description of Proposed Project:	State Ceiling Pool: General
	Total Number of Units: 100
	Manager's Units: 1 Restricted
	Type: Acquisition and Rehabilitation
	Population Served: Senior Citizens

Dorothy Day Community Apartments is an existing project located in San Francisco. The project consists of 99 restricted rental units and 1 restricted manager units. The project has 26 studios and 73 one-bedroom units. The renovations will include building exterior/interior upgrades. Building exterior renovations will consist of stucco repairs, window replacements and a fresh coat of paint. Interior renovations will include Repair and replacement of the building heating system. Individual apartment units will be updated with upgrades as needed. Lastly, common or site area renovations will consist of finish renovation, parking area upgrades. The rehabilitation is expected to begin in June 2018 and be completed in August 2019.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
49% (49 units) restricted to 50% or less of area median income households.
51% (50 units) restricted to 60% or less of area median income households.
Unit Mix: Studio & 1 bedroom

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: \$ 82,415,374
Estimated Hard Costs per Unit: \$ 219,742 (\$21,974,233 /100 units including mgr. units)
Estimated per Unit Cost: \$ 824,154 (\$82,415,374 /100 units including mgr. units)
Allocation per Unit: \$ 450,000 (\$45,000,000 /100 units including mgr. units)
Allocation per Restricted Rental Unit: \$ 454,545 (\$45,000,000 /99 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 45,000,000	\$ 17,805,300
LIH Tax Credit Equity	\$ 2,721,146	\$ 27,061,464
Deferred Developer Fee	\$ 0	\$ 2,664,123
Seller Carryback Loan	\$ 28,723,395	\$ 28,723,395
Net Income From Operations	\$ 988,521	\$ 988,521
Project Reserves	\$ 902,824	\$ 902,824
Sponsor Loan	\$ 0	\$ 4,269,747
Total Sources	\$ 78,335,886	\$ 82,415,374

Uses of Funds:	
Land Cost/Acquisition	\$ 43,853,075
Rehabilitation	\$ 21,974,233
Relocation	\$ 1,200,000
Architectural Fees	\$ 1,737,938
Survey and Engineering	\$ 240,000
Construction Interest and Fees	\$ 3,558,766
Permanent Financing	\$ 25,000
Legal Fees	\$ 40,000
Reserves	\$ 619,742
Appraisal	\$ 20,000
Hard Cost Contingency	\$ 3,258,635
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 723,862
Developer Costs	\$ 5,164,123
Total Uses	\$ 82,415,374

Analyst Comments:

This project has high costs per unit. According to the Project Sponsor, relatively high acquisition values created by the availability of Section 8 contracts. The appraiser for this transaction has factored in the additional subsidy income when valuing this property. The Bay Area is in the midst of a construction boom. The number of subcontractors to do the work required to rehabilitate Dorothy Day is limited and are able to charge a premium for their work.

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:

80 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$45,000,000 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 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	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	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	110	80