Agenda Item No. 8.14
Application No. 18-378

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 18, 2018
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**

Allocation Amount Requested:

Tax-exempt:	$35,172,500

Project Information:

Name:	**490 South Van Ness Apartments**
Project Address:	490 South Van Ness Avenue
Project City, County, Zip Code:	San Francisco, San Francisco, 94103

Project Sponsor Information:

Name:	490 SVN Housing Associates, LP (490 SVN Housing Associates, LLC)
Principals:	Cynthia Parker, Susan Johnson, Rebecca Hlebasko, D. Valentine, Ann Silverberg, Smitha Seshadri, Joshua Arce and Sam Moss for 490 SVN Housing Associates, LLC
Property Management Company:	Bridge Property Management Company

Project Financing Information:

Bond Counsel:	Squire Patton Boggs (US) LLP
Private Placement Purchaser:	Bank of America, N.A./Barings LLC
Cash Flow Permanent Bond:	Not Applicable
Public Sale:	Not Applicable
Underwriter:	Not Applicable
Credit Enhancement Provider:	Not Applicable
Rating:	Not Applicable
TEFRA Noticing Date:	July 27, 2017
TEFRA Adoption Date:	September 19, 2017

Description of Proposed Project:

State Ceiling Pool:	General
Total Number of Units:	81
Manager's Units:	1 Unrestricted
Type:	New Construction
Population Served:	Family

490 South Van Ness Apartments is a new construction project located in San Francisco on a .33-acre site. The project consists of 80 restricted rental units and 1 unrestricted manager unit. The project will have 2 studio units, 44 one-bedroom units, 30 two-bedroom units and 5 three-bedroom units. The building will be 7 stories, constructed of reinforced cement and steel. Unit amenities include a storage closet, refrigerator, stove, oven, dishwasher and garbage disposal. Project amenities include 85 spaces of ground-floor bike parking, on-site laundry facilities, two community rooms, on-site property management, on-site resident services and two rooftop terraces. The construction is expected to begin in August 2018 and be completed in March 2020.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

26% (21 units) restricted to 50% or less of area median income households.
74% (59 units) restricted to 60% or less of area median income households.

Unit Mix: Studio, 1, 2 & 3 bedrooms

The proposed project will be receiving service amenity points for providing Project residents instructor-led educational, health and wellness, or skill building classes and the Project will offer to Project residents a bona fide service coordinator.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	$	60,572,319	
Estimated Hard Costs per Unit:	$	498,814	($40,403,953 /81 units including mgr. unit)
Estimated per Unit Cost:	$	747,806	($60,572,319 /81 units including mgr. unit)
Allocation per Unit:	$	434,228	($35,172,500 /81 units including mgr. unit)
Allocation per Restricted Rental Unit:	$	439,656	($35,172,500 /80 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	$ 35,172,500	$ 6,190,000
LIH Tax Credit Equity	$ 0	$ 24,544,921
Developer Equity	$ 2,294,742	$ 0
Deferred Developer Fee	$ 2,000,000	$ 2,000,000
Deferred Costs	$ 1,340,375	$ 0
SF MOH Housing Loan	$ 19,764,702	$ 27,837,398
Total Sources	$ 60,572,319	$ 60,572,319

Uses of Funds:	
Land Cost/Acquisition	$ 118,608
New Construction	$ 42,747,313
Contractor Overhead & Profit	$ 1,539,550
Architectural Fees	$ 2,343,663
Survey and Engineering	$ 224,422
Construction Interest and Fees	$ 4,313,738
Permanent Financing	$ 86,425
Legal Fees	$ 185,816
Reserves	$ 372,574
Appraisal	$ 10,000
Hard Cost Contingency	$ 2,108,898
Local Development Impact Fees	$ 176,403
Other Project Costs (Soft Costs, Marketing, etc.)	$ 2,344,909
Developer Costs	$ 4,000,000
Total Uses	$ 60,572,319

Analyst Comments:

This project is considered a high cost per unit project. According to the Project Sponsor, the reason for high costs are: Site is located on a former auto body repair shop and gas station. Environmental studies and remediation costs are higher. The site is very small, increasing the staging, storage costs and city fee's for road frontage usage. Previous entitlements included units on the ground. If the project were being designed from scratch, it would have included fewer ground-floor units. Without previous entitlements, the project would have applied for a density bonus to increase the number of units which would have resulted in a more cost-efficient building. Overall cost escalation of 3.61% in the last 12 months impacted the project as well. Additional cost mandates: small and local business hiring and prevailing wage requirements.

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:

90 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves $35,172,500 in tax-exempt bond allocation on a carryforward basis.

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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	33
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	10
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	10
New Construction or Substantial Renovation	10	10	10
Sustainable Building Methods	10	10	7
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**	**90**