

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

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| Applicant: | City and County of San Francisco |
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| Allocation Amount Requested: | Tax-exempt: \$60,488,962 |
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| Project Information: | Name: 1950 Mission Street Apartments |
| | Project Address: 1950 Mission Street |
| | Project City, County, Zip Code: San Francisco, San Francisco, 94103 |

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| Project Sponsor Information: | Name: 1950 Mission Housing Associates, LP (1950 Mission Housing Associates, LLC) |
| | Principals: Rebecca V. Hlebasko for 1950 Mission Housing Associates, LLC |
| | Property Management Company: BRIDGE Property Management |

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| Project Financing Information: | Bond Counsel: Quint & Thimmig LLP |
| | Private Placement Purchaser: Bank of America, 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: July 12, 2017 |
| | TEFRA Adoption Date: September 19, 2017 |

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| Description of Proposed Project: | State Ceiling Pool: General |
| | Total Number of Units: 157 |
| | Manager's Units: 2 Unrestricted |
| | Type: New Construction |
| | Population Served: Family |

1950 Mission Street Apartments is a new construction project located in San Francisco on a .84-acre site. The project consists of 155 restricted rental units and 2 unrestricted managers' units. The project will have 32 studio units, 36 one-bedroom units, 73 two-bedroom units and 16 three-bedroom units. The building will be nine stories and will be constructed to code as a highrise building. Common amenities include a large community room, laundry facilities, management offices and 138 bike parking spaces. Each unit will have a storage closet, a refrigerator, a stove, an oven, a dishwasher and a garbage disposal. The project will include the following sustainable and green building elements: reduction of energy consumption with LED lighting; a Solar Hot Water system; permeable pavers in the courtyard will allow rainwater to sink into the soil, thereby reducing the storm surge effect. A roof garden will allow residents to connect with nature while enjoying 360-degree views of the city. The construction is expected to begin November 2018 and be completed in March 2020.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
19% (30 units) restricted to 50% or less of area median income households.
81% (125 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. The Project will offer to Project residents a bona fide service coordinator. The responsibilities must include, but are not limited to: (a) providing tenants with information about available services in the community, (b) assisting tenants to access services through referral and advocacy, and (c) organizing community-building and/or enrichment activities for tenants (such as holiday events, tenant council). Services will be provided on-site.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 104,776,840
Estimated Hard Costs per Unit: \$ 442,541 (\$69,478,906 /157 units including mgr. units)
Estimated per Unit Cost: \$ 667,368 (\$104,776,840 /157 units including mgr. units)
Allocation per Unit: \$ 385,280 (\$60,488,962 /157 units including mgr. units)
Allocation per Restricted Rental Unit: \$ 390,251 (\$60,488,962 /155 restricted units)

| Sources of Funds: | Construction | Permanent |
|--------------------------|----------------|----------------|
| Tax-Exempt Bond Proceeds | \$ 60,488,962 | \$ 5,992,000 |
| LIH Tax Credit Equity | \$ 0 | \$ 41,161,735 |
| Developer Equity | \$ 4,133,924 | \$ 0 |
| Deferred Developer Fee | \$ 1,430,000 | \$ 1,430,000 |
| Deferred Costs | \$ 1,880,849 | \$ 0 |
| HCD AHSC | \$ 0 | \$ 10,000,000 |
| SF MOHCD Housing Loan | \$ 36,843,105 | \$ 46,193,105 |
| Total Sources | \$ 104,776,840 | \$ 104,776,840 |

| Uses of Funds: | |
|---|----------------|
| Land Cost/Acquisition | \$ 1,204,540 |
| New Construction | \$ 77,170,244 |
| Contractor Overhead & Profit | \$ 2,255,854 |
| Architectural Fees | \$ 3,688,161 |
| Survey and Engineering | \$ 471,304 |
| Construction Interest and Fees | \$ 7,674,727 |
| Permanent Financing | \$ 99,940 |
| Legal Fees | \$ 70,000 |
| Reserves | \$ 603,800 |
| Appraisal | \$ 10,000 |
| Hard Cost Contingency | \$ 3,831,406 |
| Local Development Impact Fees | \$ 298,514 |
| Other Project Costs (Soft Costs, Marketing, etc.) | \$ 3,398,350 |
| Developer Costs | \$ 4,000,000 |
| Total Uses | \$ 104,776,840 |

Analyst Comments:

This project is considered a high cost per unit project. According to the Project Sponsor, the reasons for the high cost are construction preparation and city fees. CEQA approval, environmental studies and remediation costs are higher because of the city fees. The site is very small making the staging and off site costs high. \$1 million dollars required for electrical utility usage connections. The overall project cost increased over the last 12 months 3.61%. Additional factors include 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:

75 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$60,488,962 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 | 30 |
| 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 | 5 |
| Service Amenities | 10 | 10 | 10 |
| 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 | 75 |