

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
October 17, 2018
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Chee Thao Yang

Applicant:	City and County of San Francisco
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Allocation Amount Requested:	
Tax-exempt:	\$18,000,000

Project Information:	
Name:	Market Heights Apartments
Project Address:	211-291 Putnam Street and 1000 Tompkins Avenue
Project City, County, Zip Code:	San Francisco, San Francisco, 94110

Project Sponsor Information:	
Name:	Market Heights 2, LP (Devine Bernal, LLC and RPMH, LLC)
Principals:	Chan U Lee for Devine Bernal, LLC; Gina Dacus for RPMH, LLC
Property Management Company:	Caritas Management Corporation

Project Financing Information:	
Bond Counsel:	Jones Hall, A Professional Law Corporation
Private Placement Purchaser:	Capital One National Association
Cash Flow Permanent Bond:	Not Applicable
Public Sale:	Not Applicable
Underwriter:	Not Applicable
Credit Enhancement Provider:	Not Applicable
Rating:	Not Applicable
TEFRA Noticing Date:	May 29, 2018
TEFRA Adoption Date:	July 24, 2018

Description of Proposed Project:	
State Ceiling Pool:	General
Total Number of Units:	46
Manager's Units:	1 Unrestricted
Type:	Acquisition and Rehabilitation
Population Served:	Family

Market Heights Apartments is an existing project located in San Francisco on a .88-acre site. The project consists of 45 restricted rental units and 1 unrestricted manager unit. The project has 6 one-bedroom units, 15 two-bedroom units, 23 three-bedroom units and 2 four-bedroom units. The renovations will include building exterior and interior upgrades. Building exterior renovations will consist of a Photovoltaic power generation system on the roof for domestic hot water heating and window replacements for some units. Interior renovations will include upgrading of the rental office and laundry room. A community room will also be added. All individual apartment units will be updated with new countertops, cabinets, sink fixtures, toilet replacements, smoke detector replacements, CO1 detector replacements and a fresh coat of paint. Some apartment units will be updated with new bathroom fixtures and accessories, lighting fixtures, flooring replacements and a new appliance package. Lastly, common or site area renovations will include some ADA updates. The rehabilitation is expected to begin in January 2019 and be completed in December 2019.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
24% (11 units) restricted to 50% or less of area median income households.
76% (34 units) restricted to 60% or less of area median income households.
Unit Mix: 1, 2, 3 & 4 bedrooms

The proposed project will not be receiving service amenity points.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 35,229,913
Estimated Hard Costs per Unit: \$ 72,723 (\$3,345,259 /46 units including mgr. unit)
Estimated per Unit Cost: \$ 765,868 (\$35,229,913 /46 units including mgr. unit)
Allocation per Unit: \$ 391,304 (\$18,000,000 /46 units including mgr. unit)
Allocation per Restricted Rental Unit: \$ 400,000 (\$18,000,000 /45 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 18,000,000	\$ 0
Bellwether Enterprise - Freddie Mac TEL	\$ 0	\$ 11,817,058
LIH Tax Credit Equity	\$ 0	\$ 10,564,732
Deferred Developer Fee	\$ 0	\$ 1,644,384
Deferred Costs	\$ 4,640,616	\$ 0
Seller Carryback Loan (Boomerang Housing Associates)	\$ 9,865,942	\$ 9,865,942
Enterprise Community Investments	\$ 1,385,558	\$ 0
Sponsor Capital-Existing Reserves	\$ 1,337,697	\$ 1,337,697
General Partner Capital (Equity)	\$ 100	\$ 100
Total Sources	\$ 35,229,913	\$ 35,229,913

Uses of Funds:	
Land Cost/Acquisition	\$ 22,472,697
Rehabilitation	\$ 3,626,527
Relocation	\$ 685,000
Contractor Overhead & Profit	\$ 253,857
Architectural Fees	\$ 263,000
Survey and Engineering	\$ 18,000
Construction Interest and Fees	\$ 1,238,844
Permanent Financing	\$ 184,988
Legal Fees	\$ 295,000
Reserves	\$ 1,025,441
Appraisal	\$ 6,500
Hard Cost Contingency	\$ 582,058
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 433,617
Developer Costs	\$ 4,144,384
Total Uses	\$ 35,229,913

Analyst Comments:

This project is considered a high cost per unit project. The following factors contribute to this cost: the cost to acquire the land in this particular location, costs associated with getting equipment inside the current crawl space for significant new pile foundation, scaffolding for multiple stories around the entire building and the added value of a 20 year HAP contract on 22 units.

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:

79 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$18,000,000 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	32
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	0
Large Family Units	5	5	5
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	2
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	79