

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 12, 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: \$21,885,000

Project Information: Name: 735 Davis Apartments
Project Address: 735 Davis Street
Project City, County, Zip Code: San Francisco, San Francisco, 94111

Project Sponsor Information: Name: 735 Davis Senior LP (JSCo 735 Davis Senior, LLC & 735 Davis Senior Bridge, LLC)
Principals: John Stewart for JSCo 735 Davis Senior, LLC; Cynthia Parker, Joanna Yong, Kimberly McKay, Smitha Seshadri, Rebecca Hlebasko, D. Valentine, Susan Johnson for 735 Davis Senior Bridge, LLC
Property Management Company: John Stewart Company

Project Financing Information: Bond Counsel: Orrick, Herrington & Sutcliffe 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: May 27, 2018
TEFRA Adoption Date: July 24, 2018

Description of Proposed Project: State Ceiling Pool: General
Total Number of Units: 53
Manager's Units: 1 Unrestricted
Type: New Construction
Population Served: Senior Citizens

735 Davis Apartments is a new construction project located in San Francisco on a .25-acre site. The project consists of 44 restricted rental units, 8 over 60% AMI units, and 1 unrestricted manager unit. The project will have 23 studios, 29 one-bedroom units and 1 two-bedroom units. The building will be 5 stories constructed of a wood frame over a concrete podium. Common amenities include a community room, laundry facilities, management offices, 10 long term bike parking spaces and 18 short term bike parking spaces. Individual unit amenities include efficiency kitchens including a dishwasher, bathroom, walk-in closet, and a coat closet. The construction is expected to begin April 2019 and be completed in August 2020.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 85%
48% (25 units) restricted to 50% or less of area median income households.
37% (19 units) restricted to 60% or less of area median income households.
Unit Mix: Studio & 1 bedroom

The proposed project will be receiving service amenity points. Provide instructor-led educational health and wellness or skill building classes such as: financial literacy, computer training, home-buyer education, GED, resume building, ESL, nutrition, exercise, health info/awareness, art, on-site food cultivation and preparation and smoking cessation for a minimum of 84 hours per year.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 39,884,777
Estimated Hard Costs per Unit: \$ 496,762 (\$26,328,382 /53 units including mgr. units)
Estimated per Unit Cost: \$ 752,543 (\$39,884,777 /53 units including mgr. units)
Allocation per Unit: \$ 412,925 (\$21,885,000 /53 units including mgr. units)
Allocation per Restricted Rental Unit: \$ 497,386 (\$21,885,000 /44 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 21,885,000	\$ 0
LIH Tax Credit Equity	\$ 1,441,910	\$ 16,061,598
Developer Equity	\$ 0	\$ 0
Deferred Developer Fee	\$ 3,892,536	\$ 3,892,536
FHLB AHP	\$ 0	\$ 520,000
SF MOHCD Loan	\$ 11,875,492	\$ 18,851,516
Commercial Space Purchase Proceeds	\$ 0	\$ 559,127
Total Sources	\$ 39,094,938	\$ 39,884,777

Uses of Funds:	
Land Cost/Acquisition	\$ 31,863
New Construction	\$ 26,151,251
Contractor Overhead & Profit	\$ 796,782
Architectural Fees	\$ 1,513,296
Survey and Engineering	\$ 263,258
Construction Interest and Fees	\$ 2,683,232
Permanent Financing	\$ 37,500
Legal Fees	\$ 247,500
Reserves	\$ 141,019
Appraisal	\$ 10,000
Hard Cost Contingency	\$ 1,274,077
Local Development Impact Fees	\$ 570,325
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 1,272,138
Developer Costs	\$ 4,892,536
Total Uses	\$ 39,884,777

Analyst Comments:

This project is considered a high cost per unit project according to the project sponsor. The site is small (only .24 acre) and is near the Embarcadero and Ferry Building, a major thoroughfare and destination with bus, automobile, streetcar, ferry, bicycle, and tour bus traffic. This makes construction more logistically difficult and costly. The project is also located in a fill zone of the San Francisco Bay and is subject to liquefaction. This site condition creates the need for extensive pile foundations to provide adequate vertical support and seismic strengthening to withstand enhanced seismic loads. In addition, the site is located in the path of the former Embarcadero Freeway viaduct (Caltrans). Existing footings and pilings from the Viaduct remain on the site and require a complex demolition, excavation and pile foundation strategy.

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:

77.5 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$21,885,000 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	0
Exceeding Minimum Income Restrictions:	35	15	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	10.00
Large Family Units	5	5	0
Leveraging	10	10	10
Community Revitalization Area	5	5	0
Site Amenities	10	10	7.5
Service Amenities	10	10	5
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	77.5