

**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: Ruben Barcelo*

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<b>Applicant:</b>	<b>City and County of San Francisco</b>
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<b>Allocation Amount Requested:</b>	<b>Tax-exempt:</b> \$68,000,000
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<b>Project Information:</b>	<b>Name:</b> <b>Mission Bay South Block 6 West Apartments</b>
	<b>Project Address:</b> 691 China Basin Street
	<b>Project City, County, Zip Code:</b> San Francisco, San Francisco, 94158

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<b>Project Sponsor Information:</b>	<b>Name:</b> Mercy Housing California 78, L.P. (Mercy Housing Calwest)
	<b>Principals:</b> Doug Shoemaker, Joe Rosenblum, Amy Bayley and Barbara Gualco
	<b>Property Management Company:</b> Mercy Housing Management Group

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<b>Project Financing Information:</b>	<b>Bond Counsel:</b> Quint & Thimmig LLP
	<b>Private Placement Purchaser:</b> Citibank, N.A.
	<b>Cash Flow Permanent Bond:</b> Not Applicable
	<b>Public Sale:</b> Not Applicable
	<b>Underwriter:</b> Not Applicable
	<b>Credit Enhancement Provider:</b> Not Applicable
	<b>Rating:</b> Not Applicable
	<b>TEFRA Noticing Date:</b> July 5, 2018
	<b>TEFRA Adoption Date:</b> July 31, 2018

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<b>Description of Proposed Project:</b>	<b>State Ceiling Pool:</b> General
	<b>Total Number of Units:</b> 152
	<b>Manager's Units:</b> 1 Unrestricted
	<b>Type:</b> New Construction
	<b>Population Served:</b> Family

Mission Bay South Block 6 West Apartments is a new construction project located in San Francisco on a 1.13-acre site. The project consists of 151 rental units, 15 of which will be market rate, and 1 unrestricted manager unit distributed as 10 studios, 34 one-bedroom units, 77 two-bedroom units, 29 three-bedroom units, 1 four-bedroom unit and 1 five bedroom unit. The project will be designed as four buildings, each four to seven stories, surrounding a central courtyard. Common amenities will include a community room with kitchen, a multipurpose/teen room with laptops available for free use, a children's play area, a child care center, laundry room, manager office and a bicycle storage and repair space. Individual units will feature a refrigerator, range/oven with ventilation hood and dishwasher (2BR and larger units). Parking for 26 cars and 130 bicycles will be provided. Green features will include a solar hot water system. Construction is expected to begin in April 2019 and be completed in February 2021.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 90%

60% (90 units) restricted to 50% or less of area median income households.

30% (46 units) restricted to 60% or less of area median income households.

**Unit Mix:** Studio, 1, 2, 3, 4 & 5 bedrooms

The proposed project will not be receiving service amenity points.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

<b>Estimated Total Development Cost:</b>	\$ 119,972,780	
<b>Estimated Hard Costs per Unit:</b>	\$ 560,654	(\$85,219,405 /152 units including mgr. units)
<b>Estimated per Unit Cost:</b>	\$ 789,295	(\$119,972,780 /152 units including mgr. units)
<b>Allocation per Unit:</b>	\$ 447,368	(\$68,000,000 /152 units including mgr. units)
<b>Allocation per Restricted Rental Unit:</b>	\$ 500,000	(\$68,000,000 /136 restricted units)

<b>Sources of Funds:</b>	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 68,000,000	\$ 5,840,000
Tranche B Financing	\$ 0	\$ 8,601,000
LIH Tax Credit Equity	\$ 4,926,123	\$ 48,993,707
General Partner Equity	\$ 0	\$ 3,400,000
Deferred Developer Fee	\$ 0	\$ 1,180,000
FHLB AHP	\$ 0	\$ 1,510,000
LP Equity-Energy Credit	\$ 0	\$ 167,522
HCD IIG Sponsor Loan	\$ 5,000,000	\$ 5,000,000
San Francisco OCII	\$ 33,959,369	\$ 44,782,474
San Francisco OCII Deferred Interest	\$ 498,077	\$ 498,077
<b>Total Sources</b>	<b>\$ 112,383,569</b>	<b>\$ 119,972,780</b>

<b>Uses of Funds:</b>	
Land Cost/Acquisition	\$ 25,000
New Construction	\$ 89,539,542
Contractor Overhead & Profit	\$ 2,319,306
Architectural Fees	\$ 3,462,791
Survey and Engineering	\$ 631,602
Construction Interest and Fees	\$ 7,515,064
Permanent Financing	\$ 172,175
Legal Fees	\$ 134,734
Reserves	\$ 1,049,212
Appraisal	\$ 10,000
Hard Cost Contingency	\$ 4,592,942
Local Development Impact Fees	\$ 785,225
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 2,335,187
Developer Costs	\$ 7,400,000
<b>Total Uses</b>	<b>\$ 119,972,780</b>

**Analyst Comments:**

The developer cited the following reasons for this project exceeding CDLAC's cost per unit threshold. The landfill nature of the site requires costly drilling and pile driving to bedrock. Existing sidewalks have shifted over time due to the landfill location, requiring the developer to set aside a \$300,000 reserve for sidewalk maintenance. Contaminated soil requires excavation and removal of 10,000 tons of soil and installation of a methane barrier under the foundation. Compliance with city storm water requirements requires use of special permeable pavers and additional landscaping. HCD and the city require use of prevailing wages.

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**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.

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**Total Points:**

65 out of 140 [See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approves \$68,000,000 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	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
Large Family Units	5	5	0
Leveraging	10	10	10
Community Revitalization Area	5	5	0
Site Amenities	10	10	0
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
<b>Total Points</b>	<b>140</b>	<b>120</b>	<b>65</b>