

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
January 16, 2019
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Sarah Lester

Applicant: City and County of San Francisco

Allocation Amount Requested:
Tax-exempt: \$12,442,500

Project Information:
Name: Abel Gonzalez Apartments
Project Address: 1045 Capp Street
Project City, County, Zip Code: San Francisco, San Francisco, 94110

Project Sponsor Information:
Name: MHDC Abel Gonzalez LP (Mission Housing Development Properties Two, Inc.)
Principals: John Lovell for MHDC Abel Gonzales LP; and John Lovell for Mission Housing Development Properties Two, Inc.
Property Management Company: Caritas Management Corporation

Project Financing Information:
Bond Counsel: Jones Hall, A Professional Law Corporation
Private Placement Purchaser: Boston Private Community Investment
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, 2018
TEFRA Adoption Date: September 28, 2018

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 30
Manager's Units: 1 Unrestricted
Type: Acquisition and Rehabilitation
Population Served: Senior Citizens

Abel Gonzalez Apartments is an existing project located in San Francisco on a .172 acre site. The project consists of 28 restricted rental units, 1 market rate unit and 1 unrestricted manager unit. The project has 9 Studio units and 21 one-bedroom units. The renovations will include building exterior and interior upgrades. Building exterior renovations will consist of upgrades to fire alarm, mechanical, electrical, ventilation, photovoltaic and plumbing systems, installation of new windows in the community room and replacement of lighting throughout the units and common areas. Interior renovations will include a new property management office, community room upgrades and installation of new recycling and composting facilities on each floor. Individual apartment units will be updated with new flooring, cabinets, appliances, fixtures and new humidistat fans in the bathrooms. The rehabilitation is expected to begin in March 2019 and be completed in March 2020.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 97%
97% (28 units) restricted to 50% or less of area median income households.
Unit Mix: Studio & 1 bedroom

The proposed project will be receiving service amenity points.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 24,561,519	
Estimated Hard Costs per Unit:	\$ 159,905	(\$4,797,135 /30 units including mgr. unit)
Estimated per Unit Cost:	\$ 818,717	(\$24,561,519 /30 units including mgr. unit)
Allocation per Unit:	\$ 414,750	(\$12,442,500 /30 units including mgr. unit)
Allocation per Restricted Rental Unit:	\$ 444,375	(\$12,442,500 /28 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 12,442,500	\$ 6,241,657
LIH Tax Credit Equity	\$ 1,500,000	\$ 8,080,108
GP Equity	\$ 1,000	\$ 1,000
Deferred Developer Fee	\$ 0	\$ 1,233,119
Seller Takeback at AFR	\$ 7,394,944	\$ 7,394,944
Operating Income	\$ 0	\$ 221,741
Sponsor Loan - Project Reserves	\$ 500,910	\$ 500,910
Accrued Interest	\$ 0	\$ 223,327
Sponsor Loan	\$ 0	\$ 664,713
Total Sources	\$ 21,839,354	\$ 24,561,519

Uses of Funds:	
Land Cost/Acquisition	\$ 11,369,500
Rehabilitation	\$ 5,329,903
Relocation	\$ 450,000
Contractor Overhead & Profit	\$ 386,966
Architectural Fees	\$ 400,000
Survey and Engineering	\$ 146,000
Construction Interest and Fees	\$ 1,759,191
Permanent Financing	\$ 20,000
Reserves	\$ 500,090
Hard Cost Contingency	\$ 857,530
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 442,501
Developer Costs	\$ 2,899,838
Total Uses	\$ 24,561,519

Analyst Comments:

This project is considered a high cost per unit project. The factors reported that contribute to these costs are as follows:

- Stringent local building code requirements;
- Modernization of the building's fire alarm system; and
- City requirement of 80% diversion of all waste products in multifamily buildings from landfill into recycling & compost which calls for schematic design for new rooms for new trash and recycling chutes, plus rooms for compost bins on each floor.

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:

89.5 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$12,442,500 in tax-exempt bond allocation.

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	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	0
Large Family Units	5	5	0
Leveraging	10	10	0
Community Revitalization Area	5	5	0
Site Amenities	10	10	7.5
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	110	89.5