

**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*

<b>Applicant:</b>	<b>City and County of San Francisco</b>
<b>Allocation Amount Requested:</b>	<b>Tax-exempt:</b> \$23,500,000
<b>Project Information:</b>	<b>Name:</b> Bernal Gateway Apartments <b>Project Address:</b> 3101 Mission Street, 141-143 Precita Avenue <b>Project City, County, Zip Code:</b> San Francisco, San Francisco, 94110
<b>Project Sponsor Information:</b>	<b>Name:</b> Bernal Gateway 2, LP (RBPB, LLC and Devine Bernal, LLC) <b>Principals:</b> Gina Dacus for RBPB, LLC ; and Chan U. Lee for Devine Bernal, LLC <b>Property Management Company:</b> Caritas Management Corporation
<b>Project Financing Information:</b>	<b>Bond Counsel:</b> Jones Hall, A Professional Law Corporation <b>Private Placement Purchaser:</b> Capital One, National Association (constr) / Bellwether Enterprises Real Estate Capital LLC (perm) <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> May 27, 2018 <b>TEFRA Adoption Date:</b> August 2, 2018
<b>Description of Proposed Project:</b>	<b>State Ceiling Pool:</b> General <b>Total Number of Units:</b> 55 <b>Manager's Units:</b> 1 Unrestricted <b>Type:</b> Acquisition and Rehabilitation <b>Population Served:</b> Family

Bernal Gateway Apartments is an existing project located in San Francisco on a .83 acre site. The project consists of 54 restricted rental units and 1 unrestricted manager unit. The project has 9 one-bedroom units, 29 two-bedroom units, 13 three-bedroom units and 4 four-bedroom units. The renovations will include building exterior and interior upgrades. Building exterior renovations will consist of adding/replacing exterior stair handrails, fresh coat of paint, installation of a new play area, outdoor kitchen and seating at the rear courtyard, replace entry access systems, installation of new photovoltaic system, remove and replace roofing membrane on one building, replace elastomeric coating on private decks and repair concrete pavers where indicated. Also, replace building exhaust fans, heating and hot water boilers on roof and add new accessibility mobility and communication features. Interior renovations will include new floor and wall finishes, replacement of fixtures, finishes and appliances in the community room, replacement of finishes in the laundry room, addition of a new learning center, new services office spaces and replacement of existing mailboxes. Individual apartment units will be updated with new paint, countertops, sinks, cabinets, fixtures, toilets, tub/shower, flooring, replacement of smoke/CO1 detector, retrofit for audio-visual accessibility compliance and unit alterations for accessibility compliance. The rehabilitation is expected to begin in March 2019 and be completed in January 2020.

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**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%  
78% (42 units) restricted to 50% or less of area median income households.  
22% (12 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.

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**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

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**Details of Project Financing:**

<b>Estimated Total Development Cost:</b>	\$	47,757,356	
<b>Estimated Hard Costs per Unit:</b>	\$	81,575	(\$4,486,645 /55 units including mgr. unit)
<b>Estimated per Unit Cost:</b>	\$	868,316	(\$47,757,356 /55 units including mgr. unit)
<b>Allocation per Unit:</b>	\$	427,273	(\$23,500,000 /55 units including mgr. unit1)
<b>Allocation per Restricted Rental Unit:</b>	\$	435,185	(\$23,500,000 /54 restricted units)

<b>Sources of Funds:</b>	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 23,500,000	\$ 14,869,947
LIH Tax Credit Equity	\$ 2,512,683	\$ 13,425,436
Contributed Developer Fee	\$ 0	\$ 411,263
Deferred Developer Fee	\$ 0	\$ 2,367,337
Deferred Costs	\$ 5,061,300	\$ 0
Seller Carryback Loan	\$ 15,561,743	\$ 15,561,743
Sponsor Capital - Existing Reserves	\$ 906,530	\$ 906,530
AHP	\$ 215,000	\$ 215,000
General Partner Capital	\$ 100	\$ 100
<b>Total Sources</b>	<b>\$ 47,757,356</b>	<b>\$ 47,757,356</b>

<b>Uses of Funds:</b>	
Land Cost/Acquisition	\$ 31,363,030
Rehabilitation	\$ 4,823,700
Relocation	\$ 810,000
Contractor Overhead & Profit	\$ 337,659
Architectural Fees	\$ 263,000
Survey and Engineering	\$ 18,000
Construction Interest and Fees	\$ 1,547,398
Permanent Financing	\$ 209,569
Legal Fees	\$ 295,000
Reserves	\$ 1,798,422
Appraisal	\$ 6,500
Hard Cost Contingency	\$ 516,136
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 490,342
Developer Costs	\$ 5,278,600
<b>Total Uses</b>	<b>\$ 47,757,356</b>

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**Analyst Comments:**

This project is considered a high cost per unit project. The factors reported contributing to this cost are as follows:

- Relocation costs;
- Hard cost contingency;
- Cost of materials (including scaffolding required along major SF streets;
- Cost of hot water boilers to conform to the TCAC 10% energy improvement requirement;
- City hiring and contracting requirements;
- Market conditions regarding labor and material prices: and
- Acquisition Costs

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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:**

79.5 out of 140 [See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approves \$23,500,000 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	5
Leveraging	10	10	0
Community Revitalization Area	5	5	0
Site Amenities	10	10	7.5
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
<b>Total Points</b>	<b>140</b>	<b>110</b>	<b>79.5</b>