

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: Richard Fischer

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| Applicant: | City and County of San Francisco |
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| Allocation Amount Requested: | Tax-exempt: \$62,132,500 |
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| Project Information: | Name: 1990 Folsom Family Housing Apartments |
| | Project Address: 1990 Folsom Street |
| | Project City, County, Zip Code: San Francisco, San Francisco, 94103 |

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| Project Sponsor Information: | Name: 1990 Folsom Housing Associates, LP (MEDA 1990 Folsom LLC. and TNDC GP, LLC) |
| | Principals: Luis Grandos, John Sedlander, Cindy Clements, William Ortiz and Matthew Haney for the MEDA 1990 Folsom LLC; Donald S. Falk, Paul Carney, Margaret Schrand and Lisa Blakely for TNDC GP, LLC |
| | Property Management Company: Tenderloin Neighborhood Development Corporation |

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| Project Financing Information: | Bond Counsel: Kutak Rock LLP |
| | Private Placement Purchaser: JPMorgan Chase Bank, 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: July 26, 2018 |
| | TEFRA Adoption Date: September 18, 2018 |

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| Description of Proposed Project: | State Ceiling Pool: General |
| | Total Number of Units: 143 |
| | Manager's Units: 1 Unrestricted |
| | Type: New Construction |
| | Population Served: Family |

1990 Folsom Family Housing Apartments is a new construction project located in San Francisco on a .66-acre site. The project consists of 142 restricted rental units and 1 unrestricted manager unit. The project will have 23 studio units, 48 one-bedroom units, 61 two-bedroom units and 11 three-bedroom units. The building will be 8 stories and type I construction. Common amenities will include two community rooms, laundry facilities, management offices and 134 bike parking stalls. Each unit will have a refrigerator, range/oven, dishwasher and a bathtub. The construction is expected to begin February 2019 and to be completed in January 2021.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
36% (51 units) restricted to 50% or less of area median income households.
64% (91 units) restricted to 60% or less of area median income households.
Unit Mix: Studio, 1, 2 & 3 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: | \$ 106,522,130 | |
| Estimated Hard Costs per Unit: | \$ 416,119 | (\$59,504,965 /143 units including mgr. units) |
| Estimated per Unit Cost: | \$ 744,910 | (\$106,522,130 /143 units including mgr. units) |
| Allocation per Unit: | \$ 434,493 | (\$62,132,500 /143 units including mgr. units) |
| Allocation per Restricted Rental Unit: | \$ 437,553 | (\$62,132,500 /142 restricted units) |

| Sources of Funds: | <u>Construction</u> | <u>Permanent</u> |
|--|-----------------------|-----------------------|
| Tax-Exempt Bond Proceeds | \$ 62,132,500 | \$ 17,291,000 |
| LIH Tax Credit Equity | \$ 3,769,568 | \$ 39,063,683 |
| Deferred Developer Fee | \$ 2,288,358 | \$ 2,288,358 |
| General Partner Capital | \$ 4,918,358 | \$ 4,918,358 |
| City and County of SF MOHCD Housing Loan | \$ 28,977,630 | \$ 41,444,731 |
| Federal Home Loan Bank AHP Loan | \$ 1,420,000 | \$ 1,420,000 |
| Net Income from Operations prior to Conversion | \$ 3,015,716 | \$ 96,000 |
| Total Sources | \$ 106,522,130 | \$ 106,522,130 |

| Uses of Funds: | |
|---|-----------------------|
| Land Cost/Acquisition | \$ 8,573,394 |
| Relocation | \$ 56,854 |
| New Construction | \$ 64,758,142 |
| Contractor Overhead & Profit | \$ 2,210,204 |
| Architectural Fees | \$ 3,219,499 |
| Survey and Engineering | \$ 775,726 |
| Construction Interest and Fees | \$ 7,350,250 |
| Permanent Financing | \$ 196,710 |
| Legal Fees | \$ 157,660 |
| Reserves | \$ 1,103,144 |
| Appraisal | \$ 13,266 |
| Hard Cost Contingency | \$ 3,201,030 |
| Local Development Impact Fees | \$ 1,741,762 |
| Other Project Costs (Soft Costs, Marketing, etc.) | \$ 3,327,773 |
| Developer Costs | \$ 9,836,716 |
| Total Uses | \$ 106,522,130 |

Analyst Comments:

This project is considered a high cost per unit project. The Project Sponsor states that the contributing reasons for high cost besides the high cost of real estate in San Francisco are; limited availability of storage at the site, flood prevention requirements, labor and local hiring requirements, Neighborhood Planning Department design concerns, and coordination with the Metropolitan Transit Authority.

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:

82 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$62,132,500 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 | 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 | 10 |
| Service Amenities | 10 | 10 | 0 |
| 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 | 120 | 82 |