

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 20, 2019
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: \$84,840,000

Project Information: Name: Eastern Park Apartments
Project Address: 711 Eddy Street
Project City, County, Zip Code: San Francisco, San Francisco, 94109

Project Sponsor Information: Name: Eastern Park Apartments, LP (NCPHS EPA LLC and Sequoia Living, Inc.)
Principals: David Berg for both NCPHS EPA LLC and Sequoia Living, Inc.
Property Management Company: Sequoia Living

Project Financing Information: Bond Counsel: Norton, Rose, Fulbright US LLP
Private Placement Purchaser: Citibank, 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: August 29, 2018
TEFRA Adoption Date: October 12, 2018

Description of Proposed Project: State Ceiling Pool: General
Total Number of Units: 202
Manager's Units: 1 Unrestricted
Type: Acquisition and Rehabilitation
Population Served: Family/Federally Assisted At-Risk

Eastern Park Apartments is an existing project located in San Francisco on a .61-acre site. The project consists of 201 restricted rental units and 1 unrestricted manager unit. The project has 202 one-bedroom units. The renovations will include building exterior/interior upgrades. Building exterior renovations will consist of modifications, repair plus energy upgrades to improve energy efficiency. Interior renovations will include leasing office and common room upgrades. Individual apartment units will be updated with a new appliance package, countertops, cabinets, fixtures, paint and electrical updates. Lastly, common or site area renovations will consist of ADA updates, security cameras and a new mailbox area. The rehabilitation is expected to begin in June 2019 and will be completed in September 2021.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
20% (41 units) restricted to 50% or less of area median income households.
80% (160 units) restricted to 60% or less of area median income households.
Unit Mix: 1 bedroom

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: \$ 163,136,234
Estimated Hard Costs per Unit: \$ 167,098 (\$33,753,816 /202 units including mgr. unit)
Estimated per Unit Cost: \$ 807,605 (\$163,136,234 /202 units including mgr. unit)
Allocation per Unit: \$ 420,000 (\$84,840,000 /202 units including mgr. unit)
Allocation per Restricted Rental Unit: \$ 422,090 (\$84,840,000 /201 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 84,840,000	\$ 39,360,700
LIH Tax Credit Equity	\$ 5,821,238	\$ 48,042,381
Developer Equity	\$ 1,400,000	\$ 1,500,000
Deferred Developer Fee	\$ 0	\$ 12,347,761
Seller Carryback Loan	\$ 51,467,390	\$ 51,467,390
Northern California Presbyterian Housing I	\$ 0	\$ 6,000,000
Op. and Transition Reserves	\$ 0	\$ 0
Net Income From Operations	\$ 1,700,000	\$ 4,418,002
Total Sources	\$ 145,228,628	\$ 163,136,234
 Uses of Funds:		
Land Cost/Acquisition	\$ 87,510,000	
Rehabilitation	\$ 36,021,612	
Relocation	\$ 2,897,000	
Contractor Overhead & Profit	\$ 2,267,796	
Architectural Fees	\$ 1,223,500	
Survey and Engineering	\$ 200,000	
Construction Interest and Fees	\$ 11,616,110	
Permanent Financing	\$ 27,500	
Legal Fees	\$ 42,500	
Reserves	\$ 2,387,194	
Appraisal	\$ 11,250	
Hard Cost Contingency	\$ 1,056,692	
Local Development Impact Fees	\$ 843,772	
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 1,173,547	
Developer Costs	\$ 15,857,761	
Total Uses	\$ 163,136,234	

Analyst Comments:

This project is considered a high cost per unit project. The Project Sponsor states that the reasons are due to the following: limited storage, temporary relocation costs, labor and local hiring requirements, limited site access, high material costs and construction costs.

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:

71.2 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$84,840,000 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	30.2
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	5
Service Amenities	10	10	0
New Construction or Substantial Renovation	10	10	10
Sustainable Building Methods	10	10	6
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	71.2