

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**July 17, 2019**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Chee Thao Yang*

---

**Applicant:** City and County of San Francisco

---

**Allocation Amount Requested:**  
**Tax-exempt:** \$76,680,000

---

**Project Information:**  
**Name:** Sunnydale HOPE SF Block 6  
**Project Address:** 242 Hahn Street  
**Project City, County, Zip Code:** San Francisco, San Francisco, 94134

---

**Project Sponsor Information:**  
**Name:** Sunnydale Block 6 Housing Partnership, LP (Mercy Housing Calwest; Related/Sunnydale Block 6 Development Co. LLC)  
**Principals:** Amy Bayley, Dough Shoemaker & Joe Rosenblum for Mercy Housing Calwest; Frank Cardone, William A. Witte & Steve Sherman for Related/Sunnydale Block 6 Development Co. LLC  
**Property Management Company:** Mercy Housing Management Group

---

**Project Financing Information:**  
**Bond Counsel:** Curls Bartling P.C.  
**Private Placement Purchaser:** Bank of America, 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:** March 1, 2019  
**TEFRA Adoption Date:** April 16, 2019

---

**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 167  
**Manager's Units:** 1 Unrestricted  
**Type:** New Construction  
**Population Served:** Family

Sunnydale HOPE SF Block 6 Apartments is a 5-story, new construction project located in San Francisco on a 2.19-acre site. The project consists of 166 restricted rental units, and 1 unrestricted manager unit. The project will have 21 one-bedroom units, 96 two-bedroom units, 39 three-bedroom units, and 11 four-bedroom units. Common amenities include an internal courtyard, main lobby, multi-purpose room, property management and services offices, a community room, a teen room, and laundry rooms. Each unit will have a refrigerator, garbage disposal, microwave, range/oven, sink, central heat, and in-unit washer/dryer appliances for three-bedroom and 4-bedroom units. There are 78 parking spaces provided. The construction is expected to begin October 2019 and be completed June 2021.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%  
20% (34 units) restricted to 50% or less of area median income households.  
80% (132 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.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

**Estimated Total Development Cost:** \$ 159,156,326  
**Estimated Hard Costs per Unit:** \$ 548,799 (\$91,649,459 /167 units including mgr. unit)  
**Estimated per Unit Cost:** \$ 953,032 (\$159,156,326 /167 units including mgr. unit)  
**Allocation per Unit:** \$ 459,162 (\$76,680,000 /167 units including mgr. unit)  
**Allocation per Restricted Rental Unit:** \$ 461,928 (\$76,680,000 /166 restricted units)

<b>Sources of Funds:</b>	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 76,680,000	\$ 7,902,000
Tranche B Financing	\$ 0	\$ 38,501,000
Taxable Construction Loan	\$ 25,398,681	\$ 0
LIH Tax Credit Equity	\$ 6,298,517	\$ 64,713,172
Deferred Developer Fee	\$ 6,490,637	\$ 6,490,637
Deferred Costs	\$ 2,738,974	\$ 0
SF MOHCD Gap Loan	\$ 18,892,995	\$ 18,892,995
SF MOHCD Accrued Deferred Interest	\$ 1,283,145	\$ 1,283,145
SF MOHCD Infrastructure Loan	\$ 11,000,000	\$ 11,000,000
GP Equity (Capital)	\$ 10,373,277	\$ 10,373,277
GP Equity (Capital)	\$ 100	\$ 100
<b>Total Sources</b>	<b>\$ 159,156,326</b>	<b>\$ 159,156,326</b>

<b>Uses of Funds:</b>	
Land Cost/Acquisition	\$ 11,465,103
New Construction	\$ 98,255,039
Contractor Overhead & Profit	\$ 3,375,029
Architectural Fees	\$ 3,711,040
Survey and Engineering	\$ 344,000
Construction Interest and Fees	\$ 10,261,192
Permanent Financing	\$ 499,030
Legal Fees	\$ 210,000
Reserves	\$ 1,205,503
Appraisal	\$ 10,000
Hard Cost Contingency	\$ 5,654,758
Local Development Impact Fees	\$ 428,972
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 4,002,646
Developer Costs	\$ 19,734,014
<b>Total Uses</b>	<b>\$ 159,156,326</b>

**Analyst Comments:**

This project is considered a high cost per unit project. Project requires new streets and utility infrastructure, must comply with San Francisco stormwater control requirements and will provide three and four-bedroom units with in-unit washer and dryer.

---

**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:**

75.2 out of 140 [See Attachment A]

---

**Recommendation:**

Staff recommends that the Committee approves \$76,680,000 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	0
Exceeding Minimum Income Restrictions:	35	15	30.2
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	10
Large Family Units	5	5	5
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	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>75.2</b>