Agenda Item No. 8.5
Application No. 19-478

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: Richard Fischer

Applicant:	**City and County of San Francisco**
Allocation Amount Requested: **Tax-exempt:**	$26,967,500
Project Information:	
Name:	**Hamlin Hotel**
Project Address:	385 Eddy Street
Project City, County, Zip Code:	San Francisco, San Francisco, 94102
Project Sponsor Information:	
Name:	Hamlin Hotel 2019, L.P. (Hamlin Hotel LLC)
Principals:	The sole member of Hamlin Hotel LLC is Chinatown Community Development Center, Inc., whose officers are: Norman Fong, Cindy Wu, Karen Gansen, Philip Chin, Janet Lee Tse, Gregory Chin and Fady Zoubi
Property Management Company:	Caritas Management Corporation
Project Financing Information:	
Bond Counsel:	Jones Hall, A Professional Law Corporation
Private Placement Purchaser:	Silicon Valley Bank/Constr./California Community Reinvestment Corporation/Perm
Cash Flow Permanent Bond:	Not Applicable
Public Sale:	Not Applicable
Underwriter:	Not Applicable
Credit Enhancement Provider:	Not Applicable
Rating:	Not Applicable
TEFRA Noticing Date:	February 15, 2019
TEFRA Adoption Date:	March 19, 2019
Description of Proposed Project:	
State Ceiling Pool:	General
Total Number of Units:	67
Manager's Units:	0 Restricted
Type:	Acquisition and Rehabilitation
Population Served:	Family

Hamlin Hotel Apartments is an existing project located in San Francisco on a .095-acre site. The project consists of 67 restricted rental units and no manager unit. The project has 67 SRO units. There is no parking. The building employs 24/7 desk staff. The renovations will include building exterior & interior upgrades. A brief description follows: A new, relocated mailroom to reduce congestion at the entry door, better located property management and resident services offices on the ground floor, a new platform lift between the entry lobby and the rest of the ground floor. A new, accessible elevator with smoke guards and that can accommodate a gurney, new, larger community space in the basement with a warming kitchen and a new secure bike storage in the basement. New refrigerators and microwaves in the units, new combination smoke and carbon monoxide detectors in the units, new unit door hardware, new lighting and finishes in units as well as common areas. New, accessible shared common bathrooms, including 5 roll-in showers. An expanded and updated security camera system, new windows, new hydronic heating system to replace antiquated steam heating, new energy-efficient domestic hot water boiler with temperature controller and a new roof. The rehabilitation is expected to begin in September 2019 and be completed in February 2021.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

100% (67 units) restricted to 50% or less of area median income households.

Unit Mix: Studio

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:	$	54,981,156	
Estimated Hard Costs per Unit:	$	178,043	($11,928,867 /67 units including no mgr. units)
Estimated per Unit Cost:	$	820,614	($54,981,156 /67 units including no mgr. units)
Allocation per Unit:	$	402,500	($26,967,500 /67 units including no mgr. units)
Allocation per Restricted Rental Unit:	$	402,500	($26,967,500 /67 restricted units)

Sources of Funds:	Construction		Permanent	
Tax-Exempt Bond Proceeds	$	26,967,500	$	8,142,000
LP Equity	$	1,639,060	$	0
GP Loan	$	0	$	4,609,174
LIH Tax Credit Equity	$	0	$	17,785,597
Developer Equity	$	1,897,337	$	1,897,337
Deferred Developer Fee	$	2,320,231	$	2,320,231
Deferred Costs	$	1,930,211	$	0
Seller Carryback Loan	$	3,665,445	$	3,665,445
HCD LPR CHRP Loan	$	4,030,226	$	4,030,226
MOHCD CHRP/Hotel Sub Loan	$	2,503,416	$	2,503,416
MOHCD CCSF Loan	$	462,321	$	462,321
MOHCD OAHPP Loan	$	8,729,418	$	8,729,418
Accrued Interest on Sub Loans	$	835,991	$	835,991
Total Sources	$	54,981,156	$	54,981,156

Uses of Funds:		
Land Cost/Acquisition	$	24,000,000
Rehabilitation	$	12,978,608
Relocation	$	1,500,000
New Construction	$	903,762
Contractor Overhead & Profit	$	775,376
Architectural Fees	$	1,067,530
Survey and Engineering	$	146,700
Construction Interest and Fees	$	2,443,735
Permanent Financing	$	151,420
Legal Fees	$	100,000
Reserves	$	804,885
Appraisal	$	21,550
Hard Cost Contingency	$	2,063,098
Other Project Costs (Soft Costs, Marketing, etc.)	$	1,607,024
Developer Costs	$	6,417,468
Total Uses	$	54,981,156

Analyst Comments:

This project is considered a high cost per unit project ($2,259 per sq. ft.). According to the Project Sponsor, the current real estate boom in San Francisco has resulted in extreme demand for construction services and materials which in turn has led to relatively high costs for this project. Additionally, this project is subject to a number of contracting requirements related to its location in San Francisco that have added costs, including payment of prevailing wages and local hiring requirements which add an estimated 25-30% to the cost of construction labor rates. The existing elevator cab is exceptionally small in size and needs to be enlarged to increase functionality and facilitate true accessibility to all 6 floors, plus basement however, the existing elevator shaft cannot be enlarged to accommodate a more sizable cab. Relocation of the elevator to a different location within the building is required which in turn necessitates the demolition and relocation ofall of the bathrooms, kitchens, community spaces, and trash chute/rooms. Additionally, substantial work is required to upgrade the residential units to meet current minimum accessibility and housing criteria by code. This work entails significant framing, structural, electrical, plumbing, heating, and associated affected trades. These additional requirements add approximately $250/sf to project costs. Lastly, the appraised value of the property results in an acquisition price that makes up nearly half of total project costs. Acquisition price alone adds about $358,000 per unit or $1,000 per gross square foot.

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:

77 out of 140 **[**See Attachment A**]**

Recommendation:

Staff recommends that the Committee approves $26,967,500 in tax-exempt bond allocation on a carryforward basis.

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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	10
Community Revitalization Area	5	5	0
Site Amenities	10	10	0
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
Total Points	**140**	**110**	**77**