

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
October 16, 2019
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Sarah Lester

Applicant: City and County of San Francisco

Allocation Amount Requested: Tax-exempt: \$47,347,500

Project Information:

Name: 555 Larkin/500-520 Turk
Project Address: 555 Larkin Street/500-520 Turk Street
Project City, County, Zip Code: San Francisco, San Francisco, 94102

Project Sponsor Information:

Name: Turk 500 Associates, L.P. (Turk 500 GP, LLC)
Principals: Donald S. Falk
Property Management Company: Tenderloin Neighborhood Development Corporation

Project Financing Information:

Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Private Placement Purchaser: Not Applicable
Cash Flow Permanent Bond: Not Applicable
Public Sale: Not Applicable
Underwriter: Not Applicable
Credit Enhancement Provider: Wells Fargo Bank, N.A.
Rating: Not Applicable
TEFRA Noticing Date: June 3, 2019
TEFRA Adoption Date: July 9, 2019

Description of Proposed Project:

State Ceiling Pool: General
Total Number of Units: 108
Manager's Units: 1 Unrestricted
Type: New Construction
Population Served: Family

555 Larkin/500-520 Turk Apartments is a new construction project that will be located in San Francisco on a 18,900 square foot lot. The project will consist of a total of 108 units of which 96 will be restricted rental units, 11 market rate units and 1 unrestricted manager unit. The project will have 23 studio units, 21 one-bedroom units, 50 two-bedroom units and 14 three-bedroom units. The building will be eight-stories. Common amenities include a large community room with full kitchen, a 4,800 square foot landscaped courtyard, a laundry room and indoor bicycle parking spaces. Each unit will have a refrigerator, range/oven, a microwave, blinds, vinyl plank flooring, granite countertops, coat closets and ceiling fans. The project will be pursuing GreenPoint Gold rating. Green features include a thermally broken rainscreen system for enhanced thermal and building performance; drought tolerant planting; permeable pavers to dramatically reduce storm water runoff; a 1,300 square foot rooftop urban farm; a mechanical ventilation system with high-efficiency MERV 13 filtration; solar hot water; energy star appliances and water-efficient toilets and showerheads. The construction is expected to begin January 2020 and be completed in November 2021.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 90%
16% (17 units) restricted to 50% or less of area median income households.
74% (79 units) restricted to 60% or less of area median income households.
Unit Mix: Studio, 1, 2 & 3 bedro

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: \$ 96,688,479
Estimated Hard Costs per Unit: \$ 431,570 (\$46,609,524 /108 units including mgr. unit)
Estimated per Unit Cost: \$ 895,264 (\$96,688,479 /108 units including mgr. unit)
Allocation per Unit: \$ 438,403 (\$47,347,500 /108 units including mgr. unit)
Allocation per Restricted Rental Unit: \$ 493,203 (\$47,347,500 /96 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 47,347,500	\$ 10,822,000
Taxable Bond Proceeds	\$ 3,002,206	\$ 0
LIH Tax Credit Equity	\$ 3,291,262	\$ 32,591,124
General Partner Capital (PreDev Income)	\$ 281,902	\$ 281,902
Deferred Developer Fee	\$ 7,322,145	\$ 7,322,145
Deferred Costs	\$ 3,553,321	\$ 0
City of San Francisco MOHCD Loan	\$ 30,311,893	\$ 30,311,893
Collateral Account GIC Earnin	\$ 1,578,250	\$ 1,578,250
CA HCD AHSC Loan	\$ 0	\$ 13,700,000
Fannie Mae COI Rebate	\$ 0	\$ 81,165
Total Sources	\$ 96,688,479	\$ 96,688,479

Uses of Funds:	
Land Cost/Acquisition	\$ 14,140,639
Relocation	\$ 515,000
New Construction	\$ 49,709,189
Contractor Overhead & Profit	\$ 1,811,653
Architectural Fees	\$ 3,186,826
Survey and Engineering	\$ 519,114
Construction Interest and Fees	\$ 7,441,957
Permanent Financing	\$ 197,508
Legal Fees	\$ 275,564
Reserves	\$ 1,856,541
Appraisal	\$ 20,000
Hard Cost Contingency	\$ 3,120,287
Local Development Impact Fees	\$ 245,000
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 3,797,056
Developer Costs	\$ 9,852,145
Total Uses	\$ 96,688,479

Analyst Comments:

This project is considered a high cost per unit project. According to the application, the factors contributing to these costs are: Metropolitan Statistical Area (MSA) - San Francisco - highest construction cost in its MSA; site acquisition costs; site specific conditions - poor soil conditions evaluation/concerns and suggested corrections; and labor and hiring requirements (including prevailing wage).

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:

70.5 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$47,347,500 in tax-exempt bond allocation on a carryforward basis.

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	23
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	7.5
Service Amenities	10	10	0
New Construction or Substantial Renovation	10	10	10
Sustainable Building Methods	10	10	10
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	70.5