

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: Richard Fischer

Applicant: City and County of San Francisco

Allocation Amount Requested:
Tax-exempt: \$37,109,907

Project Information:
Name: South Park Scattered Sites
Project Address: 22,102,104-106 South Park Street
Project City, County, Zip Code: San Francisco, San Francisco, 94107

Project Sponsor Information:
Name: MHDC South Park Properties, L.P. (Mission Housing Development Corporation)
Principals: Marcias Contreras, Joshua Arce, Sam Mos and Fernando Gomez-Benitez for Mission Housing Development Corporation
Property Management Company: Caritas Management Corporation

Project Financing Information:
Bond Counsel: Schiff Hardin LLP
Private Placement Purchaser: Boston Private Bank & Trust Company
Cash Flow Permanent Bond: Not Applicable
Public Sale: Not Applicable
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Rating: Not Applicable
TEFRA Noticing Date: January 16, 2019
TEFRA Adoption Date: January 31, 2019

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 107
Manager's Units: 1 Unrestricted
Type: Acquisition and Rehabilitation
Population Served: Family

South Park Scattered Sites are existing projects located in San Francisco on a multiple small parcel sites. The project consists of 104 restricted rental units, 1 market rate unit, 1 unit of which is at 80% AMI and 1 unrestricted manager unit. The project has 106 SRO/Studio units and 1 one-bedroom unit. The renovations will include building exterior & interior upgrades. Building exteriors renovations will consist of seismic updates, window replacements and a fresh coat of paint. Interior renovations will include laundry room, leasing office and community room upgrades. Individual apartment units will be updated with a new kitchen appliance package, countertops, cabinets and electrical updates. Lastly, common or site area renovations will consist of concrete repairs, asphalt replacement and ADA updates. The rehabilitation will begin in January 2020 and will be completed in July of 2021.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 98%
95% (101 units) restricted to 50% or less of area median income households.
3% (3 units) restricted to 60% or less of area median income households.
Unit Mix: Studio & 1 bedroom

The proposed project will be receiving service amenity points, such as health and wellness services and programs for individualized support for tenants (not group classes) and an available bona fide service coordinator/social worker.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 58,653,423
Estimated Hard Costs per Unit: \$ 140,054 (\$14,985,822 /107 units including mgr. units)
Estimated per Unit Cost: \$ 548,163 (\$58,653,423 /107 units including mgr. units)
Allocation per Unit: \$ 346,822 (\$37,109,907 /107 units including mgr. units)
Allocation per Restricted Rental Unit: \$ 356,826 (\$37,109,907 /104 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 37,109,907	\$ 0
Sponsor Perm Loan	\$ 0	\$ 10,878,156
LIH Tax Credit Equity	\$ 2,834,970	\$ 19,681,802
Developer Equity	\$ 3,511,539	\$ 3,511,539
Deferred Developer Fee	\$ 1,251,439	\$ 1,251,439
Deferred Costs	\$ 2,157,791	\$ 0
Tax Increment	\$ 498,641	\$ 498,641
MOHCD Loan	\$ 2,000,000	\$ 2,000,000
MOHCD Small Sites Program	\$ 5,240,075	\$ 5,240,075
MOHCD Existing Debt	\$ 4,049,061	\$ 4,049,061
MOHCD PASS Market Loan	\$ 0	\$ 6,591,000
MOHCD PASS Deferred Loan	\$ 0	\$ 692,710
MOHCDPASS BMR Loan	\$ 0	\$ 4,259,000
Total Sources	\$ 58,653,423	\$ 58,653,423

Uses of Funds:	
Land Cost/Acquisition	\$ 22,624,525
Rehabilitation	\$ 17,853,276
Relocation	\$ 1,087,000
Contractor Overhead & Profit	\$ 599,336
Architectural Fees	\$ 1,129,175
Survey and Engineering	\$ 179,965
Construction Interest and Fees	\$ 2,761,895
Permanent Financing	\$ 185,323
Legal Fees	\$ 120,000
Reserves	\$ 771,000
Appraisal	\$ 25,000
Hard Cost Contingency	\$ 2,767,892
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 1,526,157
Developer Costs	\$ 7,022,879
Total Uses	\$ 58,653,423

Analyst Comments:

This project is considered a high cost per unit project. According to the Project Sponsor, the acquisition cost of the building, per the appraisal, was \$198,585 per unit and compliance with local building code requirements. Further, the buildings are located on small parcels with minimal lot line setbacks with adjacent properties. This makes construction more difficult, adding cost. Due to the high costs to construct buildings in San Francisco the Mayor's Office of Housing has required to include over 20% in contingency, an escalation in our budget. All three of the buildings are over 100 years old and require extensive upgrades to insure habitability and safety including seismic retrofits, upgrade the heating and water systems and plumbing fixtures to more efficient systems. Additionally, to help meet the City of San Francisco's 80% waste diversion requirements, the schematic designs call for new rooms for new trash and recycling chutes, plus rooms for compost bins on each floor.

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:

105 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$37,109,907 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	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	10
Service Amenities	10	10	10
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	110	105