

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 11, 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: \$47,760,000

Project Information:
Name: Frederick Douglas Haynes Apartments
Project Address: 1049 Golden Gate Avenue
Project City, County, Zip Code: San Francisco, San Francisco, 94115

Project Sponsor Information:
Name: FD Haynes Apartments, L.P. (FD Haynes Apartments GP, LLC)
Principals: Bruce Laycook, Randall Stamper, Gloria Meads, Roland Pickens and Preston J. Turner FD Haynes Apts GP, LLC
Property Management Company: HumanGood Affordable Housing

Project Financing Information:
Bond Counsel: Kutak Rock 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 13, 2019
TEFRA Adoption Date: October 1, 2019

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 104
Manager's Units: 1 Restricted
Type: Acquisition and Rehabilitation
Population Served: Family

Frederick Douglas Haynes Apartments is an existing project located in San Francisco on a 2.52-acre site. The project consists of 88 restricted rental units, 15 market rate units and 1 restricted manager unit. The project has 26 one-bedroom units, 40 two-bedroom units, 29 three-bedroom units and 9 four-bedroom units. The renovations will include building exterior and interior upgrades. Building exterior renovations will consist of roof replacement, window replacements and a fresh coat of paint. Interior renovations will include the laundry room, leasing office and community room upgrades. Individual apartment units will be updated with a new kitchen appliance package, countertops, cabinets, electrical fixtures, paint and electrical safety updates. Lastly, common or site area renovations will consist of concrete repairs, asphalt replacement and ADA updates. The rehabilitation is expected to begin in May 2020 and will be completed in November 2021.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 86%
81% (84 units) restricted to 50% or less of area median income households.
5% (5 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: \$ 96,684,341
Estimated Hard Costs per Unit: \$ 367,325 (\$38,201,810 /104 units including mgr. unit)
Estimated per Unit Cost: \$ 929,657 (\$96,684,341 /104 units including mgr. unit)
Allocation per Unit: \$ 459,231 (\$47,760,000 /104 units including mgr. unit)
Allocation per Restricted Rental Unit: \$ 536,629 (\$47,760,000 /89 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 47,760,000	\$ 40,252,000
Taxable Bond Proceeds	\$ 18,000,000	\$ 0
LIH Tax Credit Equity	\$ 0	\$ 33,786,955
Developer Equity	\$ 8,278,955	\$ 0
Deferred Developer Fee	\$ 8,922,094	\$ 8,922,094
Seller Carryback Loan	\$ 12,020,282	\$ 12,020,282
Net Income From Operations	\$ 1,703,010	\$ 1,703,010
Total Sources	\$ 96,684,341	\$ 96,684,341

Uses of Funds:	
Land Cost/Acquisition	\$ 18,276,361
Rehabilitation	\$ 41,419,624
Relocation	\$ 4,763,000
Contractor Overhead & Profit	\$ 1,447,650
Architectural Fees	\$ 2,482,743
Survey and Engineering	\$ 208,937
Construction Interest and Fees	\$ 5,855,472
Legal Fees	\$ 90,000
Reserves	\$ 2,228,846
Appraisal	\$ 12,000
Hard Cost Contingency	\$ 6,430,091
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 2,017,523
Developer Costs	\$ 11,452,094
Total Uses	\$ 96,684,341

Analyst Comments:

This project is considered a high cost per unit project. The reason for the high cost falls into multiple categories. First, the cost of construction in San Francisco is one of the highest in the country. There are high labor rates because of the short supply. Material costs are also high and variable due to the tariff uncertainty. Condition of the property is very poor and requires a full gut renovation with replacement of exterior skin, reframing and new systems. Inefficient configuration of the property causes an increase in the construction cost. There are six buildings and each one has a different configuration and unit mix. The project is the equivalent of 6 custom buildings on the site. The site is also large and includes extensive walkways and outdoor space. The Sponsor recognizes the importance of preserving much needed affordable housing in a city with limited supply. The garden style design is not the highest and best use for the site and a more efficient design would garner more units on the site. However, public subsidy, time for entitlements and relocation all create a barrier for new development. Therefore, even though the condition of the buildings are extremely poor and the premium to renovate versus replace is high, the City and Sponsor believes renovating the property is the highest and best use of funding and therefore justifies the cost.

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:

90.9 out of 140 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$47,760,000 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	5
Leveraging	10	10	9.4
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	4
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	90.9