Agenda Item No. 10.28
Application No. 19-592

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: Isaac Clark III

Applicant: **California Housing Finance Agency**

Allocation Amount Requested:

Tax-exempt:	$50,085,000

Project Information:

Name:	**Hayes Valley South**
Project Address:	401 Rose Street
Project City, County, Zip Code:	San Francisco, San Francisco, 94102

Project Sponsor Information:

Name:	Hayes Valley IV, LP (Hayes Valley IV MBS GP, Inc. / San Francisco Housing Development Corporation / Bank of America, N.A.)
Principals:	Gary Buechler, Director for Hayes Valley IV MBS GP, Inc / Thor Kaslofsky, Board Chair for San Francisco Housing Development Corporation
Property Management Company:	McCormack Baron Management, Inc

Project Financing Information:

Bond Counsel:	Orrick, Herrington & Sutcliffe LLP
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:	October 29, 2019
TEFRA Adoption Date:	October 4, 2019

Description of Proposed Project:

State Ceiling Pool:	General
Total Number of Units:	110
Manager's Units:	1 Unrestricted
Type:	Acquisition and Rehabilitation
Population Served:	Family

Hayes Valley South is located in San Francisco a 2.5-acre site. The entire project consists of 109 restricted rental units, 0 market rate units and 1 unrestricted manager unit. The entire project has 16 one-bedroom units, 69 two-bedroom units, 17 three-bedroom units, 7 four-bedroom units, and 1 three-bedroom unit as the manager unit. Building exterior renovations will include windows and security screens, exterior entry doors and garage doors, and balcony structural repair, patios and entry concrete repair. Interior renovations will include upgraded counters in kitchens, flooring, interior doors, lighting fixtures, plumbing fixtures, appliances and heaters. The rehabilitation is expected to begin in February 2020 and be completed in May 2021.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

40% (44 units) restricted to 50% or less of area median income households.

60% (65 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:	$	100,931,434	
Estimated Hard Costs per Unit:	$	270,674	($29,774,095 /110 units including mgr. unit)
Estimated per Unit Cost:	$	917,558	($100,931,434 /110 units including mgr. unit)
Allocation per Unit:	$	455,318	($50,085,000 /110 units including mgr. unit)
Allocation per Restricted Rental Unit:	$	459,495	($50,085,000 /109 restricted units)

Sources of Funds:		Construction		Permanent
Tax-Exempt Bond Proceeds	$	50,085,000	$	20,100,000
Cash Flow Permanent Bonds	$	0	$	0
Tranche B Financing	$	0	$	0
Taxable Bond Proceeds	$	0	$	0
LIH Tax Credit Equity	$	0	$	27,333,704
CalHFA Gap Loan	$	0	$	3,500,000
Deferred Developer Fee	$	0	$	1,700,000
MOHCD Subordinate Debt	$	0	$	6,804,708
Seller Carryback Loan	$	32,104,246	$	32,104,246
MOHCD Gap Funds	$	917,878	$	0
BofA - Tax Credit Investor	$	4,010,806	$	0
Contributed Existing Reserves	$	1,914,978	$	1,914,978
GP Equity	$	7,476,578	$	7,473,578
GP Contributions	$	220	$	220
Total Sources	$	96,509,706	$	100,931,434

Uses of Funds:		
Land Cost/Acquisition	$	33,344,899
Rehabilitation	$	35,242,649
Relocation	$	2,669,442
New Construction	$	0
Contractor Overhead & Profit	$	0
Architectural Fees	$	1,152,690
Survey and Engineering	$	374,000
Construction Interest and Fees	$	3,614,503
Permanent Financing	$	618,250
Legal Fees	$	180,000
Reserves	$	2,036,728
Appraisal	$	15,000
Hard Cost Contingency	$	6,074,100
Local Development Impact Fees	$	0
Other Project Costs (Soft Costs, Marketing, etc.)	$	4,135,595
Developer Costs	$	11,473,578
Total Uses	$	100,931,434

Analyst Comments:

This project is considered a high cost per unit project. High land cost, relocation expenses, adding social services, escalating construction costs, contingencies, labor and contracting cost are contributing factors to the high costs.

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:

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

Recommendation:

Staff recommends that the Committee approves $50,085,000 in tax-exempt bond allocation.

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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	0.00
Leveraging	10	10	7.70
Community Revitalization Area	5	5	0.00
Site Amenities	10	10	10.00
Service Amenities	10	10	0.00
New Construction or Substantial Renovation	10	10	10.00
Sustainable Building Methods	10	10	0.00
Forgone Eligible Developer Fee (Competitive Allocation Process Only)	10	10	0.00
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	0.00
Negative Points (No Maximum)	-10	-10	0.00
Total Points	**140**	**110**	**82.70**