

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE

September 16, 2020

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:	\$89,339,803	
Project Information:	Name:	921 Howard Street	
	Project Address:	921 Howard Street	
	Project City, County, Zip Code:	San Francisco, San Francisco, 94103	
Project Sponsor Information:	Name:	5th and Howard Associates, LP (5H GP LLC)	
	Principals:	5H GP LLC	
	Property Management Company:	Tenderloin Neighborhood Development Corporation	
Project Financing Information:	Bond Counsel:	Orrick, Herrington & Sutcliffe LLP	
	Private Placement Purchaser:	Chase Bank	
	Cash Flow Permanent Bond:	Not Applicable	
	Public Sale:	Not Applicable	
	Underwriter:	Not Applicable	
	Credit Enhancement Provider:	Not Applicable	
	Rating:	Not Applicable	
Description of Proposed Project:	State Ceiling Pool:	General	
	Total Number of Units:	203	
	Manager's Units:	2 Unrestricted	
	Type:	New Construction	
	Population Served:	Family	

921 Howard Street is a new construction project located in San Francisco. The project consists of 150 restricted rental units, 51 market rate units and 2 unrestricted managers' units. The project will have 33 Studio units, 84 one-bedroom units, 81 two-bedroom units and 5 three-bedroom units. The project will include programming, amenities, and services designed to meet the needs of low-income families. All units will be serviced by two elevators. Unit amenities will include full bathrooms and kitchens in all units, full sized appliances, with dishwashers in the 3-bedroom units. All appliances will be energy efficient and all electric. 21 units will have ADA-compliant mobility features and 8 units will have ADA-compliant communication features. While a specific number of units will be accessible units, all other units will be adaptable units. Site amenities include laundry rooms, community room with warming kitchen, 254 bike parking spaces, and some outdoor courtyard spaces. 921 Howard Street will meet Code Title 24 Energy Requirements and will comply with Green Point Rated Multifamily Guidelines; there is potential for the project to move to a LEED Rating, as the building is planning on going all-electric in support of California, San Francisco, and organizational goals for reduced carbon emissions. The construction is expected to begin March 2021 and be completed in February 2023.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 75%
51% (102 units) restricted to 50% or less of area median income households.
24% (48 units) restricted to 60% or less of area median income households.
Unit Mix: Studio, 1, 2 & 3 bedrooms

The proposed project will be receiving service amenity points.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	163,128,751	
Estimated Hard Costs per Unit:	\$	470,211	(\$95,452,925 /203 units including mgr. units)
Estimated per Unit Cost:	\$	803,590	(\$163,128,751 /203 units including mgr. units)
Allocation per Unit:	\$	440,098	(\$89,339,803 /203 units including mgr. units)
Allocation per Restricted Rental Unit:	\$	595,599	(\$89,339,803 /150 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 89,339,803	\$ 46,046,000
Taxable Bond Proceeds	\$ 17,635,368	\$ 0
LIH Tax Credit Equity	\$ 0	\$ 71,766,647
Deferred Developer Fee	\$ 3,500,000	\$ 3,500,000
2009 MOHCD Acq/Perm Loan	\$ 6,219,686	\$ 6,219,686
MOHCD Gap Loan	\$ 30,000,000	\$ 30,000,000
Accrued Deferred Interest	\$ 1,913,418	\$ 1,913,418
Sale of Commercial Space	\$ 0	\$ 433,000
Capital Contribution (GP)	\$ 3,250,000	\$ 3,250,000
Capital Contribution (LP)	\$ 6,852,665	\$ 0
Total Sources	\$ 158,710,940	\$ 163,128,751

Uses of Funds:	
Land Cost/Acquisition	\$ 14,721,606
Relocation	\$ 225,000 (commercial)
New Construction	\$ 103,480,024
Contractor Overhead & Profit	\$ 3,087,142
Architectural Fees	\$ 3,481,697
Survey and Engineering	\$ 490,873
Construction Interest and Fees	\$ 13,893,898
Permanent Financing	\$ 718,719
Legal Fees	\$ 180,000
Reserves	\$ 1,144,867
Appraisal	\$ 25,023
Hard Cost Contingency	\$ 5,962,152
Local Development Impact Fees	\$ 750,000
Other Project Costs	\$ 4,967,750
Developer Costs	\$ 10,000,000
Total Uses	\$ 163,128,751

Analyst Comments:

This project is considered a high cost per unit project. The total development cost per unit for 921 Howard Street is \$803,589 or \$818 per sf. There are a number of factors behind 921 Howard's high project costs. The project is located in the City and County of San Francisco, which has the highest construction costs in the metropolitan statistical area (MSA). Additional cost factors include the high cost of site acquisition, site specific conditions, City of San Francisco requirements, and prevailing wage/local hiring requirements.

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:

125 out of 145 [See Attachment A]

Recommendation:

Staff recommends that the Committee approves \$89,339,803 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	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	10
Gross Rents	5	5	5
Large Family Units	5	5	0
Leveraging	10	10	10
Community Revitalization Area	5	5	5
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	10
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	10
Negative Points (No Maximum)	-10	-10	0
Total Points	145	125	125