

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 21, 2020
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Anthony Wey

Applicant:	City and County of San Francisco
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Allocation Amount Requested:	
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Tax-exempt:	\$51,340,687
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Project Information:	
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Name:	4840 Mission
Project Address:	4840 Mission St
Project City, County, Zip Code:	San Francisco, San Francisco, 94112

Project Sponsor Information:	
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Name:	4840 Mission Housing Associates LP (4840 Mission Housing LLC and BRIDGE Housing Corp. and TBD)
Principals:	Smitha Seshadri, Susan Johnson, Cynthia Parker, and Becky Hblasko for 4840 Mission Housing LLC and BRIDGE Housing Corp.; Brad Wiblin and Delphine Sherman for BRIDGE Housing Corp.
Property Management Company:	BRIDGE Property Management Company

Project Financing Information:	
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Bond Counsel:	Jones Hall, A Professional Law Corporation
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

Description of Proposed Project:	
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State Ceiling Pool:	General New Construction Pool
Total Number of Units:	137
Manager's Units:	2 Unrestricted
Type:	New Construction
Population Served:	Family

4840 Mission Apartments is a new construction project located in San Francisco, CA on a 1.48-acre site. The project consists of 103 restricted rental units, 32 market rate units and 2 unrestricted managers' units. The project will have 58 one-bedroom units, 63 two-bedroom units and 16 three-bedroom units. The building will be 5 stories and the construction is Type III/I. The building will be constructed on a mat slab foundation supported by a soils improvement design that incorporates drilled displacement columns. The exterior cladding includes a mix of stucco and fiber cement siding, aluminum siding, and board-formed concrete. Common amenities include ground floor leasing and management offices, community room, resident services offices, 137 indoor bike parking spaces, laundry facilities, and a landscaped interior courtyard with play equipment for children. There are 39 parking spaces provided. The design and construction will integrate green building strategies using the Green Point Rated Multifamily Program. The construction is expected to begin March 2021 and be completed in December 2022.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 76%
76% (103 units) restricted to 50% or less of area median income households.
0% (0 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.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 99,542,340
Estimated Hard Costs per Unit: \$ 498,100 (\$68,239,700 /137 units including mgr. units)
Estimated per Unit Cost: \$ 726,586 (\$99,542,340 /137 units including mgr. units)
Allocation per Unit: \$ 374,750 (\$51,340,687 /137 units including mgr. units)
Allocation per Restricted Rental Unit: \$ 498,453 (\$51,340,687 /103 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 51,340,687	\$ 27,687,000
Taxable Bond Proceeds	\$ 6,472,827	\$ 0
LIH Tax Credit Equity	\$ 0	\$ 36,558,947
Deferred Developer Fee	\$ 2,120,618	\$ 2,120,618
Deferred Costs	\$ 2,955,638	\$ 0
SF Office of Housing and Com.	\$ 33,625,775	\$ 33,625,775
LP Equity During Construction	\$ 3,476,795	\$ 0
Total Sources	\$ 99,992,340	\$ 99,992,340

Uses of Funds:	
New Construction	\$ 73,962,184
Contractor Overhead & Profit	\$ 2,488,014
Architectural Fees	\$ 2,474,347
Survey and Engineering	\$ 879,036
Construction Interest and Fees	\$ 6,027,086
Permanent Financing	\$ 267,653
Legal Fees	\$ 375,280
Reserves	\$ 731,969
Appraisal	\$ 12,000
Hard Cost Contingency	\$ 4,780,623
Other Project Costs	\$ 2,553,530
Developer Costs	\$ 4,990,618
Total Uses	\$ 99,542,340

Analyst Comments:

The total cost per unit of 4840 Mission is \$729,871. High per unit costs are attributed to site conditions, the project's urban in-fill location, and the high cost of construction labor and materials through the Bay Area region. Conflating the San Francisco Bay Area's high demand for construction trades, the project is subject to Prevailing Wage Rates, and local hire requirements. These requirements limit the pool of subcontractors that may bid on the job and consequently increasing total hard costs by 20% or more compared to non-prevailing wage jobs. 4840 mission consists of a single building to be constructed on a site with an approximate 9-foot slope from east to west. To respond to this condition, there is a semi-subterranean parking structure tucked into the site's slope, with an automobile entrance on Alemany Boulevard. The project is required to incorporate a Vapor Intrusion Mitigation System to mitigate for detected PCE levels in the soil; this requires the project incorporate both a "bathtub-like" water-proofing and vapor intrusion membrane on the building's foundation and incorporate a passive venting system that can be monitored during construction. This is a costly system that has added approximately \$1 million to the project budget. The site's location also has liquefiable soil conditions, requires a soil improvement program that includes drilled displacement columns to support the building's foundation. In addition, the cost of lumber has increased significantly over the past several months, increasing over 60% from the beginning of the year, presumably due to COVID-19 restrictions on production and supply chain. This has added to the high per unit cost of the project.

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 \$0,000 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	0
Exceeding Minimum Income Restrictions:	35	15	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	10.00
Large Family Units	5	5	0.00
Gross Rents	5	5	5.00
Leveraging	10	10	10.00
Community Revitalization Area	5	5	5.00
Site Amenities	10	10	10.00
Service Amenities	10	10	10.00
New Construction or Substantial Renovation	10	10	10.00
Sustainable Building Methods	10	10	10.00
Forgone Eligible Developer Fee (Competitive Allocation Process Only)	10	10	10.00
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	10.00
Negative Points (No Maximum)	-10	-10	0.00
Total Points	145	125	125.00