

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
-------------------	----------------------------------

Allocation Amount Requested:	
Tax-exempt:	\$62,500,000

Project Information:	
Name:	Balboa Park Upper Yard
Project Address:	2340 San Jose Avenue
Project City, County, Zip Code:	San Francisco, San Francisco, 94112

Project Sponsor Information:	
Name:	Balboa Park Housing Partners, L.P. (Colosimo Apartments, Inc. /
Principals:	Joshua Arce and Sam Moss for Colosimo Apartments, Inc.; William A. Witte, Frank Cardone, Ann Silverberg, and Steven D. Sherman for Balboa Development Co., LLC
Property Management Company:	Caritas Management Corporation

Project Financing Information:	
Bond Counsel:	Norton Rose Fulbright US LLP
Private Placement Purchaser:	U.S. Bank National Association
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 New Construction Pool
Total Number of Units:	131
Manager's Units:	1 Unrestricted
Type:	New Construction
Population Served:	Family

Balboa Park Upper Yard is a new construction project located in San Francisco, CA 0.71-acre site. The project consists of 113 restricted rental units, 17 market rate units and 1 unrestricted manager's units. The project will have 6 studio units, 47 one-bedroom units, 62 two-bedroom units, and 16 three-bedroom units. The building will be 9 stories and Type-I concrete construction. Common amenities include an ample office space for onsite service providers, a courtyard, indoor community multipurpose room, teen center, laundry facilities, and learning center. Each unit will have Energy Star rated appliances including dishwashers, and refrigerators. Green features include energy efficient lighting and windows. The construction is expected to begin January 2021 and be completed in September 2022.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 87%

63% (82 units) restricted to 50% or less of area median income households.

24% (31 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: \$ 120,639,509

Estimated Hard Costs per Unit: \$ 606,934 (\$79,508,320 /131 units including mgr. units)

Estimated per Unit Cost: \$ 920,912 (\$120,639,509 /131 units including mgr. units)

Allocation per Unit: \$ 477,099 (\$62,500,000 /131 units including mgr. units)

Allocation per Restricted Rental Unit: \$ 553,097 (\$62,500,000 /113 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 62,500,000	\$ 9,838,000
Tranche B Financing	\$ 0	\$ 11,690,000
Taxable Bond Proceeds	\$ 17,889,123	\$ 0
LIH Tax Credit Equity	\$ 4,521,779	\$ 45,217,787
Deferred Developer Fee	\$ 2,400,000	\$ 0
Deferred Costs	\$ 784,885	\$ 1,350,000
General Partner Equity	\$ 2,050,000	\$ 2,050,000
San Francisco MOHCD RR Loan	\$ 30,493,722	\$ 30,493,722
HCD AHSC Loan	\$ 0	\$ 20,000,000
Total Sources	\$ 120,639,509	\$ 120,639,509

Uses of Funds:	
Land Cost/Acquisition	\$ 20,000
New Construction	\$ 89,561,748
Contractor Overhead & Profit	\$ 2,905,424
Architectural Fees	\$ 4,402,500
Construction Interest and Fees	\$ 8,357,782
Permanent Financing	\$ 50,000
Legal Fees	\$ 375,000
Reserves	\$ 1,212,395
Appraisal	\$ 10,000
Hard Cost Contingency	\$ 5,568,648
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 2,676,012
Developer Costs	\$ 5,500,000
Total Uses	\$ 120,639,509

Analyst Comments:

The project is located in an area that is a DDA in 2019, but has lost its DDA status in 2020 and applied for bond allocation on December 11, 2019 to preserve the DDA eligibility. The loss of the DDA status would result in a roughly \$10 million reduction in limited partner equity contribution to the project. The total per unit construction cost of Balboa Park is currently estimated at \$927,996 (excluding the manager unit), or \$685 per square foot. A construction boom is continuing within the Bay Area, with escalation costs as much as 10-12% annually in some of the past years. Given the number of projects currently under construction, we anticipate a limited availability of subcontractors and, as a result, continuing to see higher subcontractor and contractor pricing. The requirement to pay prevailing wages results in substantially higher construction cost than for non-prevailing wage jobs. To increase the eligible basis in the project the sponsor has increased the developer fee in the budget by \$2,050,000 million. In addition, if the project's phased costs was to be split into two phases, costs would be increase. In addition, given the unique shape and slope of the site, two phases would further complicate the foundation design and the number of micropiles would increase. The seismic joint required for two buildings that need to be structurally independent would also be much larger and complicated than what can be achieved in a single building. The project is currently at 50% construction drawings and is anticipated to submit for building permits in January 2020. If the project was to be phased there would be significant design costs and timing delays. Beyond the cost of duplicative systems, the construction costs would be substantially higher for a building constructed in 2 phases. The reduced economies of scale, mobilization costs and general conditions associated with a 2-phase project would be significant.

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 \$62,500,000 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