

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 18, 2015
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Richard Fischer

Applicant: California Housing Finance Agency

Allocation Amount Requested:
Tax-exempt: \$18,000,000

Project Information:
Name: Betel Apartments
Project Address: 1227 Hampshire Street
Project City, County, Zip Code: San Francisco, San Francisco, 94110

Project Sponsor Information:
Name: MHDC Betel, LP (MHDC CA MGP III LLC and IDG Betel, LLC)
Principals: Pete Gallegos, Viola Maestas, Shirley Wang and Sam Moss for MHDC CA MGP III LLC; Gary P Downs and Justin Solomon for IDG Betel LLC
Property Management Company: Caritas Management Corporation

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, N.A.
TEFRA Adoption Date:

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 49, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

Betel Apartments is an existing family property. It consists of one two-story apartment building over one level of tenant parking, four three-story apartment buildings, and one one-story community building. The site is surrounded by residential properties. The parcel is square in shape and approximately 0.91 acres in area. The site is generally flat in topography. There are 50 units, 35 which are restricted. The proposed break down is 21 two-bedroom, 17 three-bedroom and 3 four-bedroom units. The surrounding neighborhoods is composed of multifamily developments, a major hospital is 1/4 mile away, and other amenities, such as schools, varied retail uses, mass transit, community services, grocery stores, and other social amenities are close by.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 71%

10% (5 units) restricted to 50% or less of area median income households.

61% (30 units) restricted to 60% or less of area median income households.

Unit Mix: 2, 3 & 4 bedrooms

Service amenity available to the tenants for ten years free without charge is a bona fide service coordinator/social worker.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 35,226,039	
Estimated Hard Costs per Unit:	\$ 116,102	(\$5,689,000 /49 units)
Estimated per Unit Cost:	\$ 718,899	(\$35,226,039 /49 units)
Allocation per Unit:	\$ 367,347	(\$18,000,000 /49 units)
Allocation per Restricted Rental Unit:	\$ 514,286	(\$18,000,000 /35 restricted units)

The Project has total project costs that appear high for the geographic area in which it is located. According to the Project sponsor, the high cost is due to high land and improvement cost, in addition to the amount of rehabilitation contemplated as part of the project's redevelopment. The project was placed in service in the early 1970's and has not been rehabilitated since. Subsequently, the rehabilitation need is relatively high, and the costs for the rehabilitation work are commensurate with the level of base building need. Land and improvement values in San Francisco have increased dramatically over the past several years. The fact that the land itself is valued at \$5.5mm is a good indicator of the condition of the market. Additionally, transaction costs are higher in San Francisco than other markets. Transfer taxes are the highest in the State of California as are professional services expenses (e.g. surveyors, architects, environmental consultants, etc.).

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 18,000,000	\$ 9,930,000
Deferred Developer Fee	\$ 975,000	\$ 975,000
LIH Tax Credit Equity	\$ 7,769,657	\$ 7,769,657
Other	\$ 16,551,382	\$ 16,552,382
Total Sources	\$ 43,296,039	\$ 35,227,039
Uses of Funds:		
Acquisition/Land Purchase	\$ 21,800,000	
Hard Construction Costs	\$ 5,689,000	
Architect & Engineering Fees	\$ 315,000	
Contractor Overhead & Profit	\$ 503,000	
Developer Fee	\$ 2,500,000	
Relocation	\$ 650,000	
Cost of Issuance	\$ 96,375	
Capitalized Interest	\$ 730,800	
Other Soft Costs (Marketing, etc.)	\$ 2,941,864	
Total Uses	\$ 35,226,039	

Description of Financial Structure and Bond Issuance:

California Housing Finance Agency will be issuing the bonds with Citibank privately purchasing the bonds. Construction loan terms are 24 months at 5.25%. Permanent Financing will be 30 year term with 35 year amortization at 5.25%. Due to close in June 2015.

Analyst Comments:

This project has the highest per unit cost in CDLAC history for either new construction or acquisition/rehabilitation projects. Project Sponsor received approval from TCAC and CDLAC to receive a flooring waiver in favor of LVT flooring.

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: 59 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$18,000,000 in tax exempt bond allocation.

ATTACHMENT A

EVALUATION SCORING:

Point Criteria	Maximum Points Allowed for Non-Mixed Income Projects	Maximum Points Allowed for Mixed Income Projects	Points Scored
Federally Assisted At-Risk Project or HOPE VI Project	20	20	0
Exceeding Minimum Income Restrictions:	35	15	19
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Federally Assisted At-Risk Project or HOPE VI Project]	[10]	[10]	10
Gross Rents	5	5	5
Large Family Units	5	5	5
Leveraging	10	10	0
Community Revitalization Area	15	15	0
Site Amenities	10	10	10
Service Amenities	10	10	5
New Construction	10	10	0
Sustainable Building Methods	10	10	5
Negative Points	-10	-10	0
Total Points	130	100	59

The criteria for which points are awarded will also be incorporated into the Resolution transferring Allocation to the Applicant as well as the appropriate bond documents and loan and finance agreements.