

File No. 130319

Committee Item No. 4

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Sub-Committee

Date: 04/24/2013

Board of Supervisors Meeting

Date: _____

Cmte Board

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| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Introduction Form (for hearings) |
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| <input type="checkbox"/> | <input type="checkbox"/> | Form 126 – Ethics Commission |
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Completed by: Victor Young

Date April 19, 2013

Completed by: Victor Young

Date _____

1 [Multifamily Housing Revenue Bonds - Western Park Apartments - 1280 Laguna Street - Not
2 to Exceed \$25,000,000]

3 Resolution declaring the intent of the City and County of San Francisco (City) to
4 reimburse certain expenditures from proceeds of future bonded indebtedness;
5 authorizing the Director of the Mayor's Office of Housing (Director) to submit an
6 application and related documents to the California Debt Limit Allocation Committee
7 (CDLAC) to permit the issuance of residential mortgage revenue bonds in an aggregate
8 principal amount not to exceed \$25,000,000 for Western Park Apartments, 1280 Laguna
9 Street, San Francisco, California 94115; authorizing and directing the Director to direct
10 the Controller's Office to hold in trust an amount not to exceed \$100,000 in accordance
11 with CDLAC procedures; authorizing the Director to certify to CDLAC that the City has
12 on deposit the required amount; authorizing the Director to pay an amount equal to
13 such deposit to the State of California if the City fails to issue the residential mortgage
14 revenue bonds; approving, for purposes of the Internal Revenue Code of 1986, as
15 amended, the issuance and sale of residential mortgage revenue bonds by the City in
16 an aggregate principal amount not to exceed \$25,000,000; authorizing and directing the
17 execution of any documents necessary to implement this Resolution; and ratifying and
18 approving any action heretofore taken in connection with the Project (as defined
19 herein) and the Application (as defined herein).
20

21 WHEREAS, The Board of Supervisors of the City and County of San Francisco (the
22 "Board of Supervisors"), after careful study and consideration, has determined that there is a
23 shortage of safe and sanitary housing within the City and County of San Francisco (the "City"),
24 particularly for low and moderate income persons, and that it is in the best interest of the
25

1 residents of the City and in furtherance of the health, safety, and welfare of the public for the
2 City to assist in the financing of multi-family rental housing units; and,

3 WHEREAS, Acting under and pursuant to the powers reserved to the City under
4 Sections 3, 5, and 7 of Article XI of the Constitution of the State of California and Sections
5 1.101 and 9.107 of the Charter, the City has enacted the City and County of San Francisco
6 Residential Mortgage Revenue Bond Law (the "City Law"), constituting Article I of Chapter 43
7 of the San Francisco Administrative Code, in order to establish a procedure for the
8 authorization, issuance and sale of residential mortgage revenue bonds by the City for the
9 purpose of providing funds to encourage the availability of adequate housing and home
10 finance for persons and families of low or moderate income, and to develop viable
11 communities by providing decent housing, enhanced living environments, and increased
12 economic opportunities for persons and families of low or moderate income; and,

13 WHEREAS, In addition, pursuant to Division 31 of the Health and Safety Code of the
14 State of California, and particularly Chapter 7 of Part 5 thereof (the "State Law"), the City is
15 empowered to issue and sell bonds for the purpose of making mortgage loans or otherwise
16 providing funds to finance the development of multi-family rental housing including units for
17 lower income households and very low income households; and,

18 WHEREAS, Western Park Apartments LP, a California limited partnership (or any
19 successor thereto including any successor owner of the Project, the "Developer"), desires to
20 acquire and rehabilitate a 182-unit affordable residential rental housing development located
21 at 1280 Laguna Street, San Francisco, California 94115, currently identified as Western Park
22 Apartments (the "Project"); and,

23 WHEREAS, The Developer has requested that the City assist in the financing of the
24 Project through the issuance of one or more series of tax-exempt mortgage revenue bonds
25 (the "Bonds"); and,

1 WHEREAS, The City expects that proceeds of the Bonds will be used to pay certain
2 costs incurred in connection with the Project prior to the date of issuance of the Bonds; and,

3 WHEREAS, The City intends to issue the Bonds in an amount not to exceed
4 \$25,000,000 and to loan the proceeds of the Bonds to the Developer (the "Loan") to finance
5 the costs of the Project; and,

6 WHEREAS, The Board of Supervisors has determined that the moneys advanced and
7 to be advanced to pay certain expenditures of the Project are or will be available only for a
8 temporary period and it is necessary to reimburse such expenditures with respect to the
9 Project from the proceeds of the Bonds; and,

10 WHEREAS, Section 1.150-2 of the United States Treasury Regulations requires that
11 the Board of Supervisors declare its reasonable official intent to reimburse prior expenditures
12 for the Project with proceeds of the Bonds; and,

13 WHEREAS, The interest on the Bonds may qualify for tax exemption under Section
14 103 of the Internal Revenue Code of 1986, as amended (the "Code"), only if the Bonds are
15 approved in accordance with Section 147(f) of the Code; and,

16 WHEREAS, The City now wishes to approve the issuance of the Bonds in order to
17 satisfy the public approval requirements of Section 147(f) of the Code; and,

18 WHEREAS, The Project is located wholly within the City; and,

19 WHEREAS, On March 19, 2013, the City caused a notice stating that a public hearing
20 with respect to the issuance of the Bonds would be held by the Mayor's Office of Housing on
21 April 1, 2013, to appear in The San Francisco Chronicle, which is a newspaper of general
22 circulation in the City; and,

23 WHEREAS, The Mayor's Office of Housing held the public hearing described above on
24 April 1, 2013 and an opportunity was provided for persons to comment on the issuance of the
25

1 Bonds and the Project; and the minutes of such hearing were provided to this Board of
2 Supervisors prior to this meeting; and,

3 WHEREAS, This Board of Supervisors is the elected legislative body of the City and is
4 the applicable elected representative authorized to approve the issuance of the Bonds within
5 the meaning of Section 147(f) of the Code; and,

6 WHEREAS, Section 146 of the Code limits the amount of tax-exempt private activity
7 bonds, which include qualified mortgage bonds, that may be issued in any calendar year by
8 entities within a state and authorizes the legislature of each state to provide the method of
9 allocating authority to issue tax-exempt private activity bonds within the respective state; and,

10 WHEREAS, Chapter 11.8 of Division 1 of Title 2 of the Government Code of the State
11 of California governs the allocation in the State of California of the state ceiling established by
12 Section 146 of the Code among governmental units in the State having the authority to issue
13 tax-exempt private activity bonds; and,

14 WHEREAS, Section 8869.85(b) of the Government Code requires that a local agency
15 file an application for a portion of the state ceiling with or upon the direction of the California
16 Debt Allocation Committee ("CDLAC") prior to the issuance of tax-exempt private activity
17 bonds, including qualified mortgage bonds; and,

18 WHEREAS, CDLAC procedures require an applicant for a portion of the state ceiling to
19 certify to CDLAC that applicant has on deposit an amount equal to one-half of one percent
20 (1/2%) of the amount of allocation requested not to exceed \$100,000.00; now, therefore be it

21 RESOLVED, By the Board of Supervisors of the City and County of San Francisco, as
22 follows:

23 Section 1. The Board of Supervisors finds and determines that the foregoing recitals
24 are true and correct.
25

1 Section 2. The Board of Supervisors adopts this Resolution for purposes of
2 establishing compliance with the requirements of Section 1.150-2 of the United States
3 Treasury Regulations. This Resolution does not bind the Board of Supervisors to issue the
4 Bonds, approve the Loan or to make any expenditure, incur any indebtedness or proceed with
5 the Project.

6 Section 3. The Board of Supervisors hereby declares its official intent under United
7 States Treasury Regulations Section 1.150-2 to use proceeds of the Bonds to reimburse
8 expenditures incurred in connection with the Project. The Board of Supervisors hereby further
9 declares its intent to use such proceeds to reimburse the Developer for actual expenditures
10 made by the Developer on the Project.

11 Section 4. On the date of the expenditure to be reimbursed, all reimbursable costs of
12 the Project will be of a type properly chargeable to a capital account under general federal
13 income tax principles.

14 Section 5. The maximum principal amount of debt expected to be issued for the Project
15 is \$25,000,000.

16 Section 6. This Board of Supervisors, as the applicable elected representative of the
17 governmental unit having jurisdiction over the area in which the Project is located, hereby
18 approves the issuance of the Bonds for purposes of Section 147(f) of the Code.

19 Section 7. This approval of the issuance of the Bonds by the City is neither an approval
20 of the underlying credit issues of the proposed Project nor an approval of the financial
21 structure of the Bonds.

22 Section 8. The Board of Supervisors hereby authorizes the Director of the Mayor's
23 Office of Housing (the "Director"), on behalf of the City, to submit an application (the
24 "Application"), and such other documents as may be required, to CDLAC pursuant to
25

1 Government Code Section 8869.85 for an allocation for the Project of a portion of the state
2 ceiling for private activity bonds in a principal amount not to exceed \$25,000,000.

3 Section 9. An amount equal to \$100,000 ("Deposit") is hereby authorized to be held on
4 deposit in connection with the Application and the applicable CDLAC procedures, and the
5 Director is authorized to certify to CDLAC that such funds are available; which Deposit shall
6 consist of a restriction on cash in the Hotel Tax Fund established pursuant to Section 515.01
7 of Article 7 of the San Francisco Business and Tax Regulations Code (the "Hotel Tax Fund").

8 Section 10. If the City receives a CDLAC allocation and the applicable issuance
9 requirements are not met, the Mayor's Office of Housing is hereby authorized to cause an
10 amount equal to the Deposit to be paid to the State of California from the Hotel Tax Fund, if
11 required by CDLAC.

12 Section 11. The officers and employees of the City and the Director are hereby
13 authorized and directed, jointly and severally, to do any and all things necessary or advisable
14 to consummate the receipt of an allocation from CDLAC and otherwise effectuate the
15 purposes of this Resolution, and all actions previously taken by such officers and employees
16 with respect to the Project, including but not limited to the submission of the application to
17 CDLAC, are hereby ratified and approved.

18 Section 12. This Resolution shall take effect from and after its adoption by the Board and
19 approval by the Mayor.

20 APPROVED AS TO FORM:

21 DENNIS J. HERRERA
22 City Attorney

23 By: 
24 HEIDI J. GEWERTZ
25 Deputy City Attorney

Supervisor Breed
BOARD OF SUPERVISORS

**MAYOR'S OFFICE OF HOUSING
CITY AND COUNTY OF SAN FRANCISCO**



EDWIN M. LEE
MAYOR

OLSON LEE
DIRECTOR

April 5, 2013

Honorable London Breed
City and County of San Francisco
Board of Supervisors
City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

RE: Resolution Authorizing Application to California Debt Limit Allocation Committee for Multifamily Housing Revenue Bonds for Western Park Apartments, 1280 Laguna Street.

With this memo, I am submitting to you for introduction at the Board of Supervisors meeting on April 9, 2013, a resolution regarding qualified mortgage revenue bonds for Western Park Apartments, located at 1280 Laguna Street. Western Park Apartments is an existing affordable housing development owned by Northern California Presbyterian Homes and Services (NCPHS), a nonprofit organization. NCPHS plans to undertake a substantial rehabilitation of the project and refinance using bonds and low income housing tax credits. The resolution would authorize me, as Director of this office, to submit an application to the California Debt Limit Allocation Committee for permission to issue such bonds in an amount not to exceed \$25,000,000. This resolution would only authorize the City to apply for an allocation of bond issuing authority. Should we receive authority, we will need to return to the Board for permission to actually issue the bonds. Funds generated from the issuance and sale of the bonds would be used to finance acquisition and rehabilitation of the project.

The project is a 182-unit affordable senior rental development in the Western Addition neighborhood consisting of studio, one-bedroom, and two-bedroom apartments in four different buildings. 114 units are subsidized through the Section 8 program. It serves households ranging up to 60% of adjusted Area Median Income in units ranging from studios to two-bedrooms. Originally constructed in 1972, the property is in need of renovation in order to maintain it as a viable asset for the long term.

The Mayor's Office of Housing has previously issued bonds for both rental housing and for first time homeownership. These financings are conduit financings, which do not require the City to

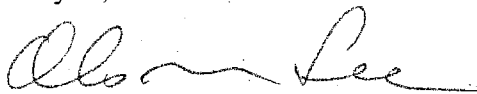
pledge repayment of the bonds. Rather, the bondholders' only recourse for payment are the project revenues themselves and the credit enhancement provided by lenders.

In order to meet the deadline of submitting an application to the California Debt Limit Allocation Committee, the resolution must be introduced at the Board no later than April 9, 2013, and return to the full Board for approval at its April 23, 2013 meeting. We would appreciate any assistance you can provide to help meet this schedule so that the City is able to submit the application on May 17, 2013.

The attached resolution has been approved as-to-form by Deputy City Attorney Heidi Gewertz. I am enclosing a brief description of the project for your review.

If you have any questions about the resolution or the project, please contact Lydia Ely at 701-5519.

Thank you,

A handwritten signature in cursive script, appearing to read "Olson Lee".

Olson Lee
Director

Western Park Apartments Project Description

March 2013

Western Park Apartments, located at 1280 Laguna Street in San Francisco's Western Addition neighborhood, was developed in the early 1970s within the SF Redevelopment Agency Western Addition II Area under the HUD 236 program.

The project consists of 182 units of senior affordable housing in one 13-story tower and 3 cottage buildings that are owned and operated by Northern California Presbyterian Homes and Services (NCPHS), a California nonprofit 501c3 corporation. There are 40 studio units (approx. 316 square feet), 135 one-bedrooms (approx. 497 square feet), and 8 two-bedrooms (approx. 609 square feet). The property has a Section 8 contract for 114 of the units, which will be extended for 20 years, allowing it to provide a deep subsidy to low- and extremely low income tenants.

NCPHS provides services coordination, medical screening, recreational activities, computer training, financial literacy services, and cultural events at the project. Community amenities include a large community room with kitchen, computer room, art room, library, solarium, and conference/meeting room.

Scope of Renovation:

NCPHS intends to perform of \$20 million in renovations to the property which is Type I and Type IV Construction. The proposed scope of work is comprehensive and includes

- Window total replacement
- Redesign and Reprogramming of entire ground floor common and staff spaces
- Electrical distribution system upgrade
- Sanitary Sewer System partial or total replacement
- Roof replacement
- Fire sprinkler system installation
- Solar Thermal water heating system installation
- Accessibility upgrades to common spaces; ADA compliant units on each of the 12 residential stories of the tower
- Unit Improvements- scope varies from unit to unit, but generally includes kitchen cabinetry and appliances; flooring; window coverings; doors; and painting.

Construction is scheduled to begin in Fall 2013 and will be completed within approximately 12 months. Tenants will be temporarily relocated during the construction period but will move back into their units once the renovation is complete.

Ownership:

WPA will be acquired by a newly formed limited partnership, Western Park Apartments LP, a California Limited Partnership ("the Partnership"). NCPHS will be the Sole Member of the LLC that is the General Partner of the Partnership. NCPHS presently owns and manages 3 affordable housing properties for seniors and 4 market-rate continuum of care facilities for seniors.

Financing:

The Partnership will apply for tax-exempt bonds and 4% low-income housing tax credits for 100% of the units. NCPHS will also provide a Seller Take-back Promissory Note to assist the

Partnership to purchase WPA. Total projected cost of rehabilitation in latest estimates (all approximate):

- Total Development Cost \$44mil
- Total Hard Cost \$20mil
- Acquisition Cost \$15mil
- Soft Costs \$9mil

Funding sources include Tax Exempt Bonds, 4% Low Income Housing Tax Credits, and Seller Take-back Promissory Note. There will be a new 20 year Project Based Section 8 contract extension covering the 114 existing Section 8 units.

Schedule:

| | |
|---|-----------|
| Western Park Apartments Schedule | 3/18/2013 |
| Task | Date |
| TEFRA Ad Published | 3/18/2013 |
| TEFRA hearing | 4/1/2013 |
| Inducement Resolution Lodged with Board | 4/9/2013 |
| Inducement Resolution Approved by Board | 4/23/2013 |
| Submit CDLAC application | 5/17/2013 |
| Submit tax credit application | 5/17/2013 |
| CDLAC meeting -- secure allocation | 7/17/2013 |
| TCAC Meeting -- secure allocation | 7/17/2013 |
| Allocation Resolution Lodged with Board | 9/3/2013 |
| Allocation Resolution to Budget & Finance Committee | 9/11/2013 |
| Allocation Resolution Approved by Full Board | 9/17/2013 |
| Mayor signs the resolution | 9/27/2013 |
| Finalize construction contract | 9/1/2013 |
| Close bond and credit financing | 10/1/2013 |
| Start construction | 10/2/2013 |
| Complete construction | 10/2/2014 |

Development Team:

- Architect: Barcelon and Jang
- Engineers: Schutze and Associates; Kuhn and Kuhn; Homes Culley; MHC Engineers
- Contractor: Cahill Contractors
- Legal Counsel: Gubb and Barshay
- Financial Consultant: Community Economics
- Development Consultant: Falcone Development Services

