

San Francisco Redevelopment Multifamily Bond Program



**PRESENTATION BY
OLSON LEE
SAN FRANCISCO, CA
PRIVATE ACTIVITY BOND PROGRAM
SEPTEMBER 7, 2011
LOS ANGELES, CA**

Background



- **San Francisco Redevelopment Agency**
 - Tax Allocation Bonds
 - Multifamily Housing Bonds
 - CFD Bonds
- **Original Principal Amount of multifamily housing bonds greater than \$700 million**
- **Current outstanding portfolio of \$575 million**
- **80/20 transactions**
- **100% low income transactions**

Bond Issuance Term Sheet



- **PROPERTY LOCATION:**
 - Redevelopment Project Areas, Survey Areas, Citywide depending on housing program.
- **FINANCING STRUCTURE:**
 - Low floaters/variable rate, fixed rate
- **BOND MAXIMUM:**
 - Up to 100% of construction loan and permanent loan amounts, taxable or tax-exempt, as permitted by CDLAC or 501(c)(3) limits.
- **LOAN TO VALUE:**
 - No greater than 97% of total project cost
- **ISSUANCE AMOUNT:**
 - To be determined by loan to value.

Bond Issuance Term Sheet



- **CREDIT ENHANCEMENT:**
 - Required, unless a private placement based upon terms acceptable to the Agency.
- **ISSUANCE FEES:**
 - Initial Fee: 50 Basis Points due and payable at Bond Closing.
 - Annual Fee: 12.5 basis point of remaining principal balance due on the outstanding bonds with a floor of \$2,500
 - Refunding Fee: 25 Basis Points due and payable at Bond Closing
 - Extension/Transfer : same as refunding
- **ISSUER'S COSTS:**
 - All Agency-related costs (i.e. Bond Counsel and Bond Financial Consultant fees, if any, and/or any other associated costs) shall be paid out of project funding (charged to the Sponsor/Project), due and payable at Bond Closing.

Bond Issuance Term Sheet



- **AFFORDABILITY REQUIREMENTS:**
 - Affordability covenants survive repayment of bonds and last for 55 years. Affordability shall be 20% of the units affordable at 50% of median or 40% of the units affordable at 60% of median income. Affordable rent shall be established based upon 30% of the above median income (50 or 60%) adjusted solely for family size and utility allowance. The rent standard is based upon the unadjusted median income figure for the HUD Metro Fair Market Rent Area that contains San Francisco. Annual adjustments in rent shall be limited to the lesser of the change in median income or 4%. Rents may go to the affordability standard upon turnover.

Bond Issuance Term Sheet



- **OTHER REQUIREMENTS:**

- Developer must pay state prevailing wages. Developer must comply with Agency policies including but not limited to the small business enterprise program, City living wage, and health benefit ordinance. Developer must accept rental vouchers including Section 8 vouchers.

- **FORM OF AGREEMENT:**

- Loan Agreement, Regulatory Agreement, Indenture (if any Trustee) among others.

Underwriting



- **Peer review**
- **Loan Committee**
 - **Loan Evaluation**
- **Redevelopment Commission**

Loan Evaluation



- **Citywide Affordable Housing Loan Committee**
- San Francisco Mayor's Office of Housing
- **San Francisco Redevelopment Agency**
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- Evaluation of Request for
- **NOFA/PROGRAM: AGENCY HOUSING OPPORTUNITY SITES**
- *Prepared By:* Pamela Sims, Development Specialist
- *Date prepared:* February 28, 2005
- *Loan Committee*
- *Date:* March 4, 2005
- *Applicant/Sponsor Name:* The Related Companies of California & Chinatown Community Development Center
- *Project Name:* Block N5 – Mission Bay
- *Project Address (w. cross street):* 420 Berry Street (Berry & 6th Street)
- *Number of Units/Beds (specify):* 236 units
- 134 units @ 50% of area median income as published by the SFRA (the "VLI" Units)
- 100 units @ 60% of area median income as published by the CTCAC
- 2 manager's units
- *Amount of Funds Requested:* \$5,600,000
- *Amount of Funds Recommended:* \$5,600,000
- *Source of Funds Recommended:* Tax Increment (Taxable)
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Loan Evaluation



- **SUMMARY**

- In March 2004, the Related Companies of California. (“TRCC”) approached Catellus Urban Development Corporation (“Catellus”) regarding the development of affordable housing units in the Mission Bay North Redevelopment Project Area. The site that TRCC was initially interested in was the N4a Block. The initial proposal was to build a mix of market rate units and affordable units. Due to the softening of the rental market for market rate units, this proposal was deemed infeasible because current market rents are too low. After a thorough investigation of the site the market in San Francisco for Market Rate units soften and site was deemed infeasible for the development of affordable housing units due to the market not being able to support the Market Rate units that were proposed to be mixed with the affordable units. Therefore, 420 Berry Street was proposed as an alternative site by Catellus, it is located at Berry & 6th Streets and was previously known as Block N5, which is approximately one block from the original site. Subsequent to a thorough due diligence period, TRCC entered into a Purchase & Sale Agreement with Catellus for the development of 236 affordable rental housing units, of which 134 (the “VLI units”) will be affordable to households at 50% of the area median income (“AMI”) as published by the SFRA and 100 will be affordable to households at 60% of AMI as published by the Tax Credit Allocation Committee (“TCAC”) and 2 manager units. (The decision to use TCAC AMIs and not the local AMIs for the non-VLI units was made by TRCC (“the Developer”) and the Deputy Executive Director for Housing.

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- The housing will be constructed on land that was owned by Catellus. Per the Housing Program in the North OPA, both the 134 Agency supported VLI Units and 60% units will remain affordable for a period of 75 years. At the end of the 75 year period, the Agency will have the right of first refusal to extend the affordability period. The development of this affordable housing will satisfy the Very Low Income requirements in the Owner Participation Agreement (“OPA”) between Catellus and the Redevelopment Agency.

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- *Staff recommends approving the Tax Increment loan for \$5,600,000 as described, subject to the terms and conditions in Section 10 of this document and to the Performance Schedule in Section 4.8.*

Inducement/Issuance



- **RESOLUTION NO. 49-2005**

- *Adopted March 15, 2005*

- **EXPRESSING THE INTENT OF THE REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO TO ISSUE MULTIFAMILY MORTGAGE REVENUE BONDS IN ONE OR MORE SERIES IN AN AMOUNT NOT TO EXCEED \$35,000,000 TO FINANCE THE CONSTRUCTION OF RESIDENTIAL FACILITIES FOR REDEVELOPMENT PURPOSES AT 420 BERRY STREET; AGENCY CITYWIDE AFFORDABLE HOUSING PROGRAM**

- **BASIS FOR RESOLUTION**

- The Redevelopment Agency of the City and County of San Francisco (the “Agency”) is a public body organized and existing pursuant to California Health and Safety Code Section 33000, *et seq.*, (the “Redevelopment Law”) and is authorized by Chapter 8, beginning at California Health and Safety Code Section 33750, of the Redevelopment Law to finance residential construction and to issue mortgage revenue bonds to pay the cost of financing such residential construction.

- Mission Bay Housing Partners, L.P., a California limited partnership (the “Developer”), will acquire the property consisting of approximately 3.55 acres located within the Mission Bay North Redevelopment Project Area known as 420 Berry Street, San Francisco, California (the “Site”). The general partners of the Developer are Chinatown Community Development Center, Inc., a California nonprofit public benefit corporation, as managing general partner, and Related/Mission Bay Development Co., LLC, a California limited liability company, as administrative general partner.

- The Agency now wishes to issue and sell its mortgage revenue bonds pursuant to the Redevelopment Law in an amount not to exceed Thirty-Five Million Dollars (\$35,000,000) to finance the construction of approximately 236 units of affordable housing, leasing and management offices, community room, and fitness center on the Site (the “Project”).

- The Agency wishes to declare its official intention, within the meaning of Treasury Regulations Section 1.150-2, to reimburse expenditures for the Project with the proceeds of the issuance of bonds.

- The issuance of the bonds on a tax-exempt basis will require an allocation from the California Debt Limit Allocation Committee (“CDLAC”), after application from the Agency in accordance with the application process and competitive award of such allocation (including payment of application fees and posting of a performance deposit in an amount up to 0.5% of the principal amount of the requested amount of bond allocation, not to exceed \$100,000).

- The final terms and conditions of the bond issuance will be determined by agreement between the Agency and the Developer or its assignee. Should the parties fail to agree on the final terms and conditions of the bond issuance, the Agency may negotiate such terms and conditions with an alternate developer designated by the Agency.

Inducement



- **RESOLUTION**

- **ACCORDINGLY, IT IS RESOLVED** by the Redevelopment Agency of the City and County of San Francisco that subject to negotiation of an agreement with the Developer to the satisfaction of the Agency for financing and other Project-related terms and conditions:
- The Agency expresses its official intent to issue mortgage revenue bonds or notes in one or more series in an amount not to exceed Thirty-Five Million Dollars (\$35,000,000) to provide financing (including reimbursement of amounts previously expended as provided in Treasury Regulations Section 1.150-2) to the Developer or its assignee, for the Project in the form of construction and/or permanent loans.
- The final terms and conditions of the bond issuance will be determined by agreement between the Agency and the Developer. If the parties are not successful in reaching an agreement, the Agency will negotiate the terms and conditions with an alternate developer designated by the Agency.
- This expression of intent does not give the Developer any claim or right against the Agency or any entitlement to the financing described above. The failure of the Agency to provide such financing, for any reason whatsoever or for no reason, shall not create any liability of the Agency to the Developer. Nevertheless, the Agency acknowledges that the possible availability of financing from the Agency is an inducement to the Developer to undertake the Project in the manner described by the Agency.
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- The Executive Director, Treasurer, Secretary and Assistant Secretaries, Agency General Counsel, Deputy General Counsels and other officers are authorized to execute and deliver any and all documents and to take any and all other actions necessary to consummate the transactions described in this Resolution; including making application to CDLAC, paying application fees and posting any required performance deposit; and the execution and delivery of any such document, fee or deposit shall be conclusive evidence of its approval.

- **APPROVED AS TO FORM:**

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- James B. Morales
- Agency General Counsel

Issuance



- **RESOLUTION NO. 119-2005**
- *Adopted August 2, 2005*
- **AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF MULTIFAMILY HOUSING REVENUE BONDS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$36,750,356 TO ASSIST MISSION BAY HOUSING PARTNERS, L.P., WITH THE FINANCING OF THE CONSTRUCTION OF AFFORDABLE RESIDENTIAL RENTAL FACILITIES KNOWN AS MISSION BAY APARTMENTS AT 420 BERRY STREET AND AUTHORIZING AND APPROVING RELATED ACTIONS AND AUTHORIZING THE EXECUTION AND DELIVERY OF RELATED DOCUMENTS; MISSION BAY NORTH REDEVELOPMENT PROJECT AREA**
- **BASIS FOR RESOLUTION**
- 1. In furtherance of the objectives of the California Community Redevelopment Law, constituting Health and Safety Code Section 33000 et seq. (the “Law”), the Redevelopment Agency of the City and County of San Francisco (the “Agency”) undertakes programs for the reconstruction and rehabilitation of slums and blighted areas in the City and County of San Francisco.
- 2. The Agency is authorized by Chapter 8, commencing with Section 33750, of Part 1 of Division 24 of the Health and Safety Code of the State of California (the “Act”) to issue revenue bonds and make loans to finance the cost of, among other things, acquisition of land and construction of multifamily residential housing developments for occupancy, in part, by persons of very low and low income.
- 3. Mission Bay Housing Partners, L.P., a California limited partnership (the “Borrower”), will acquire property consisting of approximately 3.55 acres located within the Mission Bay North Redevelopment Project Area known as 420 Berry Street, San Francisco, California (the “Site”). The general partners of the Borrower are Chinatown Community Development Center, Inc., a California nonprofit public benefit corporation, as managing general partner, and Related/Mission Bay Development Co., LLC, a California limited liability company, as administrative general partner. The Borrower has requested that the Agency issue its housing revenue bonds pursuant to the Law in order to finance the construction of approximately 236 units of affordable housing, leasing and management offices, a community room, and fitness center on the Site (the “Project”).
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Issuance



- 4. The Agency, by its Resolution No. 49-2005, adopted on March 15, 2005, expressed its intention to issue multifamily housing revenue bonds on a tax-exempt basis in an amount not to exceed \$35,000,000 to finance a portion of the Project. On March 22, 2005, the Deputy Executive Director - Finance and Administration of the Agency held a public hearing on the proposed issuance of such tax-exempt bonds, as required under the Internal Revenue Code of 1986, as amended (the “Code”), following published notice of such hearing on March 5, 2005 and on March 12, 2005, and the Mayor of the City and County of San Francisco, as an applicable elected representative under the Code, approved the issuance of such tax-exempt bonds on April 15, 2005.
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- 5. On May 19, 2005, the California Debt Limit Allocation Committee awarded an allocation to allow the Agency to issue bonds on a tax-exempt basis in an amount not to exceed \$34,944,288,000 for the financing of the Project.
- 6. The Agency intends to issue its Redevelopment Agency of the City and County of San Francisco Multifamily Housing Revenue Bonds (Mission Bay Rental Housing Development) in two series. The tax-exempt series will be in an amount not to exceed \$34,944,288 designated as the Redevelopment Agency of the City and County of San Francisco Multifamily Housing Revenue Bonds (Mission Bay Rental Housing Development) 2005 Series B (the “Series B Bonds”) and the taxable series will be in an amount not to exceed \$1,806,068 designated as the Redevelopment Agency of the City and County of San Francisco Taxable Multifamily Housing Revenue Bonds (Mission Bay Rental Housing Development) 2005 Series B-T (the “Series B-T Bonds”). The Series B Bonds and the Series B-T Bonds are collectively referred to as the “Bonds”. The proceeds of the Bonds will be advanced by Union Bank of California as Agent (the “Agent”) for the account of the Agency to the Borrower, for the purpose of funding a loan in the maximum aggregate principal amount of \$36,750,356 to finance the Borrower’s construction of the Project (the “Loan”) pursuant to the terms and conditions of a Construction Loan Agreement (the “Loan Agreement”) in accordance with a Master Pledge and Assignment dated as of August 1, 2005 (the “Pledge and Assignment”), among the Agency, as issuer of the Bonds, Union Bank of California, N.A. (the “Agent”) as agent under and pursuant to that certain Master Agency Agreement dated as of August 1, 2005 (the “Agency Agreement”) between the Agency and the Agent, to Union Bank of California, N.A., as initial holder of the Bonds, and any successors and assigns (the “Holder”) and pursuant to certain conditions and requirements to be set forth in a Regulatory Agreement and Declaration of Restrictive Covenants, dated as of August 1, 2005, by and among the Agency, the Agent and the Borrower (the “Regulatory Agreement”).
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Issuance



- 7. The Agency is authorized pursuant to the Law to lend and distribute monies to nonprofit developers and sponsors for the specific and special purpose of increasing the housing stock in the City and County of San Francisco for very-low, low- and moderate-income households.
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- 8. The Borrower intends to finance the construction of the Project using, among other sources, the proceeds of the Loan. The Bonds to be issued to fund the Loan will be sold to Union Bank of California, N.A. (the “Bank”).
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- 9. The Agency is authorized pursuant to the Law to adopt a regulation that contains standards, qualifications and criteria for the making and approval of loans. The Agency intends to adopt the standards, qualifications and criteria for the making and approval of the Loan that are set forth in the letter dated May 18, 2005, from the Bank to the Borrower with respect to the Bank’s commitment to purchase the Bonds (the “Commitment Letter”), the Loan Agreement, the Pledge and Assignment, and the Regulatory Agreement, as the regulation of the Agency that contains standards, qualifications, and criteria for the making and approval of the Loan for purposes of the Law.
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- 10. All acts, conditions and things required by the Act and the Law, and by the Constitution and laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the adoption of the standards, qualifications and criteria for the making and approval of the Loan that are set forth in the Loan Agreement, the Pledge and Assignment, the Regulatory Agreement and the Commitment Letter as the regulation of the Agency that contains standards, qualifications and criteria for the making and approval of the Loan for purposes of the Law and the consummation of the financing represented by the Bonds and the Loan do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the Agency is now duly authorized and empowered, pursuant to each and every requirement of law, to authorize the adoption of such standards, qualifications and criteria, to authorize such financing and to authorize the execution and delivery of documents related to such financing, for the purposes, in the manner and upon the terms contemplated in this Resolution.
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- **FINDINGS**
- The Commission hereby finds and determines that the adoption of standards, qualifications and criteria for the making and approval of the Loan and the use of low and moderate income housing funds and other funds of the Agency to assist in the financing of the Project will be of benefit to the Agency’s redevelopment project areas.
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Issuance



- **RESOLUTION**

- **ACCORDINGLY, IT IS RESOLVED** by the Redevelopment Agency of the City and County of San Francisco that:

- 1. Pursuant to the Law, the Agency hereby adopts the standards, qualifications, and criteria for the making and approval of the Loan that are set forth in the Commitment Letter (attached hereto as Attachment 1), the Loan Agreement, the Pledge and Assignment, and the Regulatory Agreement, with such changes, additions and deletions as may be approved by any Authorized Officer (described below) in the manner set forth in Section 3 below, as the regulation of the Agency that contains standards, qualifications and criteria for the making and approval of the Loan for purposes of the Law.
- 2. Pursuant to the Act, the Agency hereby authorizes the issuance and delivery of the Bonds designated as the “Redevelopment Agency of the City and County of San Francisco Multifamily Housing Revenue Bonds (Mission Bay Rental Housing Development) 2005 Series B” (the “Tax-Exempt Bonds”), and the “Redevelopment Agency of the City and County of San Francisco Taxable Multifamily Housing Revenue Bonds (Mission Bay Rental Housing Development) 2005 Series B-T” (the “Taxable Bonds”) (collectively, the “Bonds”). The Tax-Exempt Bonds shall be in an aggregate principal amount of not to exceed \$34,944,288. The Taxable Bonds shall be in an aggregate principal amount of not to exceed \$1,806,068. The Bonds shall be issued pursuant to the Pledge and Assignment. The terms of the Bonds of each series shall be as set forth in the Pledge and Assignment, as such agreement is executed and delivered by the Agency. The Executive Director, the Deputy Executive Director - Finance and Administration, and the Secretary of the Agency (each an “Authorized Officer”), each acting alone, are hereby authorized and directed to execute the Bonds on behalf of the Agency by manual or facsimile signature, in the form set forth in the Pledge and Assignment, with such changes, deletions and insertions as may be approved by such Authorized Officer upon consultation with legal counsel to the Agency, such approval being conclusively evidenced by the execution and delivery thereof, and the Authorized Officers, each acting alone, are hereby authorized and directed to attest the Bonds in said form and otherwise in accordance with the Pledge and Assignment. The Bonds, when executed, shall be delivered to or upon the order of the Bank.
- 3. The Pledge and Assignment, the Agency Agreement, the Regulatory Agreement and the Loan Agreement, in the forms lodged with the Agency General Counsel, are hereby approved. The Authorized Officers, each acting alone, are hereby authorized for and on behalf of the Agency to execute and deliver the Pledge and Assignment, the Agency Agreement and the Regulatory Agreement (collectively, the “Bond Documents”) and approve the Loan Agreement in such forms, with such changes, additions or deletions as may be approved by such Authorized Officer upon consultation with legal counsel to the Agency, including such additions or changes as are necessary or advisable in accordance with Section 4 below, such approvals to be conclusively evidenced by the execution and delivery by such Authorized Officer of all of the Bond Documents.
- 4. All actions heretofore taken by the officers and agents of the Agency with respect to the adoption of the standards, qualifications and criteria for the making and approval of the Loan and the sale and issuance of the Bonds are hereby approved, confirmed and ratified. The Executive Director, the Deputy Executive Director - Finance and Administration, the Treasurer, the Secretary and Assistant Secretaries, the Agency General Counsel and Deputy General Counsels and other officers of the Agency are hereby authorized and directed, jointly and severally, to do any and all things, and to execute and deliver any and all documents and certificates (including, without limitation, those in connection with tax compliance matters and continuing disclosure obligations) which they may deem necessary or advisable in order to adopt the standards, qualifications and criteria for the making and approval of the Loan and to consummate the lawful issuance, sale and delivery of the Bonds and the funding of the Loan, and otherwise to implement the purposes of this Resolution both before and after the delivery of the Bonds.

- **APPROVED AS TO FORM:**

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James B. Morales
Agency General Counsel

Regulatory Agreement



- **Definitions**
- **Loan**
- **Payments**
- **Conditions Precedent**
- **Disbursements**
- **Representations and Warranties**
- **Borrower's Covenants**
- **Event's of Default**
- **Remedies**

Regulatory Agreement



- **Power of Attorney**
- **Miscellaneous**

Ongoing Compliance



- May 1, 2009 118-54509-014
- Myron Horbachevsky, VP Compliance
- Related Management
- 423 West 55 th Street
- New York, NY 10019
- Re: Annual Audited Financial Statements for 2008 Fiscal Year End
- Fillmore Marketplace Apartments and Crescent Cove
- Dear Mr. Horbachevsky:
- As part of its continuing compliance review of projects sponsored or funded by the San Francisco Redevelopment Agency, and as required by certain financing agreements with the Agency, we are requesting that you provide us with your annual audited financial statements for the 2008 fiscal year.
- Your audit can be submitted by email to garrett.smith@sfgov.org or mailed to my attention at the Agency's address listed above.
- If you have any questions concerning this please contact me at my email address or at 415-749-2480, and thank you for your cooperation.
- Sincerely,
- Garrett P. Smith
- Asset Manager, Housing Division

Ongoing Compliance



- 118-201509-014
- To: All Property Owners and Managers
- From: San Francisco Redevelopment Agency
- Subject: Annual Certification of Affordable Rental Units
- Date: December 21, 2009
- In accordance with the Health and Safety Code Section 33418, the State of California requires that all property owners or property managers of affordable housing for persons of low or moderate income developed or otherwise funded by the San Francisco Redevelopment Agency, to submit an annual rental and income monitoring report to the Agency. This report must include the rental rate, income, family size and other information for each affordable housing unit. The report must be submitted in the Agency's required format and all fields must be completed.
- To submit your completed form by email, or to obtain an electronic template of the Rental and Income Certification, please contact Mr. Garrett P. Smith, Asset Manager, at garrett.smith@sfgov.org .
- The certification requested should be reported as of December 2009 and must be received no later than Friday, February **19, 2010**.
- Thank you for assisting the San Francisco Redevelopment Agency in complying with the State of California reporting requirement.
- Sincerely,
- Olson Lee
- Deputy Executive Director, Housing Division