

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE  
July 22, 2009  
Staff Report  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A  
QUALIFIED RESIDENTIAL RENTAL PROJECT**

Prepared by: Sarah Lester

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**Applicant:** ABAG Finance Authority for Nonprofit Corporations

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**Allocation Amount Requested:**  
**Tax-exempt:** \$50,000,000

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**Project Information:**  
**Name:** 2235 Third Street Apartments  
**Project Address:** 2235 Third Street Apartments  
**Project City, County, Zip Code:** San Francisco, San Francisco, 94107

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**Project Sponsor Information:**  
**Name:** Martin McNerney Properties, LLC (Martin McNerney  
Development, Inc. dba Martin Building Company)  
**Principals:** Patrick McNerney

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**Project Financing Information:**  
**Bond Counsel:** Orrick, Herrington & Sutcliffe LLP  
**Underwriter:** Merchant Capital, L.L.C.  
**Credit Enhancement Provider:** CBRE HMF, Inc. / HUD FHA / GNMA  
**Private Placement Purchaser:** Not Applicable  
**TEFRA Hearing Date:** June 9, 2009

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**Description of Proposed Project:**  
**State Ceiling Pool:** Mixed Income  
**Total Number of Units:** 178, plus 1 manager unit  
**Type:** New Construction  
**Type of Units:** Family

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**Description of Public Benefits:**  
**Percent of Restricted Rental Units in the Project:** 21%  
21% (37 units) restricted to 50% or less of area median income households.  
       (0 units) restricted to 60% or less of area median income households.  
**Unit Mix:** Studio, 1, 2 & 3 bedrooms

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**Term of Restrictions:**  
**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

<b>Estimated Total Development Cost:</b>	\$ 62,407,106	
<b>Estimated Hard Costs per Unit:</b>	\$ 255,905	(\$45,551,020 /178 units)
<b>Estimated per Unit Cost:</b>	\$ 350,602	(\$62,407,106 /178 units)
<b>Allocation per Unit:</b>	\$ 280,899	(\$50,000,000 /178 units)
<b>Allocation per Restricted Rental Unit:</b>	\$ 1,351,351	(\$50,000,000 /37 restricted units)

<b>Sources of Funds:</b>	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 50,000,000	\$ 50,000,000
Taxable Bond Proceeds	\$ 1,293,889	\$ 1,293,889
Deferred Developer Fee	\$ 4,426,699	\$ 4,426,699
LIH Tax Credit Equity	\$ 2,148,741	\$ 2,148,741
Direct & Indirect Public Funds	\$ 4,537,777	\$ 4,537,777
Total Sources	\$ 62,407,106	\$ 62,407,106

<b>Uses of Funds:</b>	
Land Costs	\$ 3,160,050
On & Off Site Costs	\$ 1,586,500
Hard Construction Costs	\$ 43,964,520
Architect & Engineering Fees	\$ 1,951,000
Contractor Overhead & Profit	\$ 1,424,851
Developer Fee	\$ 1,787,422
Cost of Issuance	\$ 1,894,050
Capitalized Interest	\$ 2,400,000
Other Soft Costs	\$ 4,238,713
Total Uses	\$ 62,407,106

**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:** 57.5 out of 98  
 [See Attachment A]

**Recommendation:**

Staff recommends that the Committee approve \$50,000,000 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	6
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	0
Leveraging	10	10	3.5
Community Revitalization Area	15	15	0
Site Amenities	10	10	10
Service Amenities	10	10	5
New Construction	10	10	10
Sustainable Building Methods	8	8	8
Negative Points	-10	-10	0
<b>Total Points</b>	<b>118</b>	<b>98</b>	<b>57.5</b>

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.