

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 19, 2014
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Leslie J. Campaz

Applicant: City and County of San Francisco

Allocation Amount Requested:
Tax-exempt: \$15,000,000

Project Information:
Name: Transbay Block 6 Apartments
Project Address: 280 Beale Street
Project City, County, Zip Code: San Francisco, San Francisco, 94105

Project Sponsor Information:
Name: Mercy Housing California 62 L.P. (Mercy Housing Calwest;
South of Market Mercy Housing)
Principals: Douglas Shoemaker, Valerie Agostino, Barbara Gualco, Jane
Graf, Stephan Daves, Ed Holder, Steve Spears, Benjamin
Phillips, Lillian Murphy, Melissa Clayton, Bruce Saab, Joe
Resenblum and Vince Dodds for both entities; Amy Bayley for
South of Market Mercy Housing.
Property Management Company: Mercy Housing Management Group

Project Financing Information:
Bond Counsel: Squire Sanders LLP
Co-Bond Counsel: Jackmon Law
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Silicon Valley Bank
TEFRA Adoption Date: November 26, 2013

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 69, plus 1 manager unit
Type: New Construction
Type of Units: Family

The proposed new construction projects will be an 8-story Type-I concrete building located in the City of San Francisco. The project will target families earning up to 60% of the area median income. The unit mix will be comprised of 55 one-bedroom units, 14 two-bedroom units and one manager's unit. Additionally there will be a community room, management offices, laundry room, and a 1,907 square foot retail space. The Transbay Block 6 design will achieve the Green Point equivalent of LEED Gold certification (125 Green Points) and centers around an integrated, high-performance facade that reduces energy consumption, substantially reduces the first cost and operating cost of the mechanical systems.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

30% (21 units) restricted to 50% or less of area median income households.

70% (48 units) restricted to 60% or less of area median income households.

Unit Mix: 1 & 2 bedrooms

No service amenities are included.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 28,936,164	
Estimated Hard Costs per Unit:	\$ 238,592	(\$16,462,830 /69 units)
Estimated per Unit Cost:	\$ 419,365	(\$28,936,164 /69 units)
Allocation per Unit:	\$ 217,391	(\$15,000,000 /69 units)
Allocation per Restricted Rental Unit:	\$ 217,391	(\$15,000,000 /69 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 15,000,000	\$ 1,474,098
Developer Equity	\$ 0	\$ 500,000
LIH Tax Credit Equity	\$ 577,056	\$ 11,867,496
Direct & Indirect Public Funds	\$ 10,657,836	\$ 14,657,836
Other (Accrued Interest)	\$ 2,701,272	\$ 436,734
Total Sources	\$ 28,936,164	\$ 28,936,164

Uses of Funds:	
On & Off Site Costs	\$ 365,952
Hard Construction Costs	\$ 16,096,878
Architect & Engineering Fees	\$ 1,545,917
Contractor Overhead & Profit	\$ 2,252,778
Developer Fee	\$ 2,500,000
Cost of Issuance	\$ 376,841
Capitalized Interest	\$ 710,172
Other Soft Costs (Marketing, etc.)	\$ 5,087,626
Total Uses	\$ 28,936,164

Description of Financial Structure and Bond Issuance:

The proposed project will be a private placement transaction provided by Silicon Valley Bank. The bonds will be issued by the City and County of San Francisco. The construction phase will be for a period of 20 month and shall bear interest at a fixed rate of 1.75% with one four-month extension following the date of recordation of the Deed of Trust. The permanent financing loan will have a term of 15 years with a fixed rate as determined by using the National AAA Insured 15 year Municipal Bonds Index plus a spread of 1.75%, which, at the time of application equals an indicative rate of 5.05%. The amortization period will be for 30 years and will be due at the end of year 15.

Analyst Comments:

Not Applicable

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: 72.5 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$15,000,000 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	35
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	0
Community Revitalization Area	15	15	0
Site Amenities	10	10	2.5
Service Amenities	10	10	0
New Construction	10	10	10
Sustainable Building Methods	10	10	10
Negative Points	-10	-10	0
Total Points	130	100	72.5

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.