

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
November 12, 2014
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Brian Clark

Applicant: The City and County of San Francisco

Allocation Amount Requested:
Tax-exempt: \$32,500,000

Project Information:
Name: Alice Griffith Phase 2 Apartments
Project Address: 2700 Arelious Walker Drive
Project City, County, Zip Code: San Francisco, San Francisco, 94124

Project Sponsor Information:
Name: Alice Griffith Phase 2, LP (Alice Griffith Phase 2 MBS GP, Inc. & Tabernacle II, LLC)
Principals: Kevin J. McCormack, Hillary B. Zimmerman, Kim Hartmann and Daniel Falcon, Jr. for Alice Griffith Phase 2 MBS GP, Inc.; Bishop Donald E. Green, Rev. Calvin Jones, Jr., Rev. Lane Hawkins, Rev. J. Edgar Boyd & Dr. James McCray, Jr. for Tabernacle II, LLC
Property Management Company: McCormack Baron Ragan Management Services, Inc.

Project Financing Information:
Bond Counsel: Stradling, Yocca, Carlson & Rauth
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, NA
TEFRA Adoption Date: June 17, 2014

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 90, plus 1 manager unit
Type: New Construction
Type of Units: Family

The Project, located on approximately 1.23 acres in San Francisco's Bayview area, is Phase 2 of the redevelopment of the Alice Griffith housing project and surrounding area that will take place over 6 financing phases and cover 7 city blocks. Phase 2 will consist of a five-story U-shaped elevator-served building and a three-story I-shaped building surrounding a central courtyard. Phase 2 will contain 22 one-bedroom, 46 two-bedroom, 9 three-bedroom and 11 four-bedroom units (88 total units) at 50% AMI. There will also be a single one bedroom manager's unit and, additionally, a two-bedroom unit and a four-bedroom unit that will each be subject to HUD RAD rent limits and reserved for existing over-income tenants with return rights. Unit amenities will include refrigerator, stove, dishwasher, microwave, hall closet, central heat, carpeting and window coverings. The 2-bedroom accessible, 3-bedroom and 4-bedroom units will also have washers/dryers. Phase 2 will have 50 parking spaces, storage for 40 bicycles, the primary management/leasing office for the Alice Griffith development, computer room, conference room, fitness room and courtyard. Construction of Phase 2 is scheduled to begin in January 2015 and be completed in November 2016.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 98%
98% (88 units) restricted to 50% or less of area median income households.
Unit Mix: 1, 2, 3 & 4 bedrooms

There are no service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 66,412,345	
Estimated Hard Costs per Unit:	\$ 492,223	(\$44,300,071 /90 units)
Estimated per Unit Cost:	\$ 737,915	(\$66,412,345 /90 units)
Allocation per Unit:	\$ 361,111	(\$32,500,000 /90 units)
Allocation per Restricted Rental Unit:	\$ 369,318	(\$32,500,000 /88 restricted units)

The Project has total costs that appear high for the geographic area in which it is located. According to the Project sponsor, the high cost is due to: the high cost of the San Francisco construction market, including permits and local development impact fees that add approximately \$1,536,500 in Project costs and the required payment of prevailing wages; the need to drive support piles due to poor soil quality adding approximately \$1,100,000 in Project costs; a HUD RAD construction contingency increase from 5% to 10% adding approximately \$2,102,100 in Project costs; and off-site and infrastructure improvements necessary to integrate the Project site into the community, including new sewer & water lines, streets, sidewalks and lighting, that add approximately \$5,000,000 in Project costs.

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 32,500,000	\$ 3,200,000
Developer Equity	\$ 500,000	\$ 500,000
LIH Tax Credit Equity	\$ 5,420,200	\$ 27,101,000
Direct & Indirect Public Funds	\$ 19,192,145	\$ 26,811,345
Other (Ground Value SFHA)	\$ 3,800,000	\$ 3,800,000
Other (Lennar Loan)	\$ 5,000,000	\$ 5,000,000
Total Sources	\$ 66,412,345	\$ 66,412,345

Uses of Funds:	
Acquisition/Land Purchase	\$ 3,800,000
On & Off Site Costs	\$ 5,000,000
Hard Construction Costs	\$ 39,300,071
Architect & Engineering Fees	\$ 1,807,290
Contractor Overhead & Profit	\$ 1,622,425
Contractor P&P Bonds/Insurance	\$ 655,343
Building Permits & Impact Fees	\$ 1,959,000
Developer Fee	\$ 2,500,000
Developer's Construction Contingency	\$ 4,158,000
Cost of Issuance	\$ 617,125
Capitalized Interest	\$ 1,625,000
Other Soft Costs (Marketing, etc.)	\$ 3,368,091
Total Uses	\$ 66,412,345

Description of Financial Structure and Bond Issuance:

The proposed financial structure will be a private placement transaction provided by Citibank, NA ("Bank"). The Bank will provide a construction loan in the amount \$32,500,000 for a term of 30 months. The construction loan will be interest-only with an interest rate option of: a variable rate equal to the SIFMA Municipal Swap Index plus a spread of 2.25%, for an all-in rate of 2.29%; or a fixed rate equal to the 3-year Thompson Municipal Market Monitor ("MMD") rate plus 2.75%, for an all-in rate of 3.36%. The loan proceeds will be drawn down on a monthly basis, will be recourse to the Borrower and Guarantors MBA Properties, Inc. and McCormack Baron Salazar, Inc and will be secured by Completion and Repayment Guarantees equal to 25% of the construction phase loan amount (approximately \$8,125,000). Upon conversion to permanent phase, the loan will be paid down to approximately \$3,200,000. The permanent loan will have a fixed interest rate equal to the 23-year maturity AAA bond rate published by Thompson Municipal Market Monitor ("MMD") plus a spread of 3%, for a current indicated rate of 6.15%. Permanent financing will be amortized over 20 years with a 20 year term. The permanent loan will be non-recourse to the Borrower or Guarantors. Security will be in the form of a first lien on land and all improvements, UCC filing for fixtures, assignment of all leases and rents and priority collateral assignment of all contracts, management agreements, other agreements and permits relating to the property.

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: 92.5 out of 130
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$32,500,000 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	5
Leveraging	10	10	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	7.5
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	92.5

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.