

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**December 16, 2015**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Richard Fischer*

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**Applicant:** City and County of the City of San Francisco

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**Allocation Amount Requested:**  
**Tax-exempt:** \$35,000,000

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**Project Information:**  
**Name:** Transbay Block 7 Apartments  
**Project Address:** 222 Beale Street  
**Project City, County, Zip Code:** San Francisco, San Francisco, 94105

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**Project Sponsor Information:**  
**Name:** Mercy Housing California 64, L.P. (Mercy Housing Calwest)  
**Principals:** Doug Shoemaker, Valerie Agostino, Barbara Gualco, Jane Graf, Stephan Dues, Ed Holder, Steve Spears, Benjamin Phillips, Sheela Jivan, Melissa Clayton, Bruce Saab, Jennifer Dolin, Joe Rosenblum, Vince Dodds and Amy Bayley for Mercy Housing Calwest  
**Property Management Company:** Mercy Housing Management Group

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**Project Financing Information:**  
**Bond Counsel:** Squire Patton Boggs (US) LLP  
**Underwriter:** Not Applicable  
**Credit Enhancement Provider:** Not Applicable  
**Private Placement Purchaser:** MUFG Union Bank, N.A.  
**TEFRA Adoption Date:** June 16, 2015

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 119, plus 2 manager units  
**Type:** New Construction  
**Type of Units:** Family

Block 7 will consist of three buildings – two 8-story mid-rise buildings (Buildings A & B) flanking a row of 4-story townhomes (Building C). Building A – which contains 43 apartments - is located on the western site of the parcel along Fremont Street, Building B – consisting of 62 units - is located on the eastern side of the parcel along Beale Street, and Building C – containing 15 units - is located in between the two other buildings along Clementina Alley (which will be a private street). There will be three elevators installed – one in Building A and two in Building B. The upper floors of Building C are connected to Building A via a bridge meaning that residents of Building C will be able to access the upper floors via Building A's elevator. In total, the project will consist of 53 1-bedroom units which average size of 587 sq. ft, 44 2-bedroom units (one of which will serve as a manager's unit) with an average size of 761 sq. ft, and 23 3-bedroom units with an average size of 1,090 sq. ft. 12 units will be designed to be fully accessible with an additional three units being designed for those with visual/auditory impairments. The rest of the units will be designed in such a way that they can be easily converted to fully accessible units. Construction is due to begin in January of 2016 and is anticipated to be completed in April/May of 2018.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%

42% (50 units) restricted to 50% or less of area median income households.

58% (69 units) restricted to 60% or less of area median income households.

**Unit Mix:** 1, 2 & 3 bedrooms

The proposed project will not be providing service amenities.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

<b>Estimated Total Development Cost:</b>	\$ 81,696,155	
<b>Estimated Hard Costs per Unit:</b>	\$ 367,024	(\$43,675,876 /119 units)
<b>Estimated per Unit Cost:</b>	\$ 686,522	(\$81,696,155 /119 units)
<b>Allocation per Unit:</b>	\$ 294,118	(\$35,000,000 /119 units)
<b>Allocation per Restricted Rental Unit:</b>	\$ 294,118	(\$35,000,000 /119 restricted units)

The Project has total project costs that appear high for the geographic area in which it is located. According to the Project sponsor, the high cost is due to City and County of San Francisco's requirements, Construction Type and Materials Selection.

<b>Sources of Funds:</b>	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 35,000,000	\$ 6,695,000
LIH Tax Credit Equity	\$ 4,220,357	\$ 29,333,527
Direct-Indirect Public Funds	\$ 40,167,628	\$ 45,167,527
Other (dfrd to Perm; GP Cap. Contribution)	\$ 2,308,170	\$ 500,000
<b>Total Sources</b>	<b>\$ 81,696,155</b>	<b>\$ 81,696,054</b>

  

<b>Uses of Funds:</b>	<u>Construction</u>
Acquisition/Land Purchase	\$ 18,750,000
Hard Construction Costs	\$ 43,675,876
Architect & Engineering Fees	\$ 2,275,994
Contractor Overhead & Profit	\$ 1,916,503
Developer Fee	\$ 2,500,000
Legal Fees	\$ 259,683
Cost of Issuance	\$ 677,188
Operating Reserve	\$ 386,880
Capitalized Interest	\$ 2,676,024
Impact/Permit Fees	\$ 638,286
Other Soft Costs (Marketing, Contingency, etc.)	\$ 7,939,721
<b>Total Uses</b>	<b>\$ 81,696,155</b>

**Description of Financial Structure and Bond Issuance:**

This is a private placement transaction, the Construction/Permanent lender is MUFG Union Bank, N.A. During the construction financing phase the loan term will be for 24 months with a (variable) interest rate of 65% of the 30-day LIBOR rate plus 1.75% . During the permanent financing phase, the loan term will be for 15 years with an amortization of 30 years at a (fixed) rate. The indicative rate is 5.05%. There was no underwritten rate provided.

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**Analyst Comments:**

None.

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**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.

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**Total Points:** 82.5 out of 130

[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$35,000,000 in tax exempt bond allocation on a carryforward basis.

**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	10
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
<b>Total Points</b>	<b>130</b>	<b>100</b>	<b>82.5</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.