

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

Applicant: City County of the City of San Francisco

Allocation Amount Requested:

Tax-exempt: \$263,068,394

Project Information:

Name: Transbay Block 8 80/20 Apartments
Project Address: 422-498 Folsom Street (proposed)
Project City, County, Zip Code: San Francisco, San Francisco, 94105

Project Sponsor Information:

Name: T8 Housing Partners, L.P. (T8 Urban Housing Associates, LLC & T8 Urban Housing Associates BMR, L.P.)

Principals: Gregory Vilkin for T8 Urban Housing Associates, LLC; Donald S. Falk & Gregory Vilkin for T8 Urban Housing Associates BMR, L.P.

Property Management Company: Related Management Company

Project Financing Information:

Bond Counsel: Jones Hall, A Professional Law Corporation

Underwriter: Citigroup Global Markets Inc.

Credit Enhancement Provider: Bank of China USA

Private Placement Purchaser: Not Applicable

TEFRA Adoption Date: July 21, 2015

Description of Proposed Project:

State Ceiling Pool: Mixed Income
Total Number of Units: 348, plus 2 manager units
Type: New Construction
Type of Units: Family

The Transbay Block 8 80/20 Apartments Project includes a 55-story (550' tall) residential tower with 116 market (tax exempt non-bond financed) rate condos on floors 32-55 and 350 "80/20" rentals on floors 1-31. All buildings will have elevator access. The Project, will have minimum 10% mobility units and 5% communication units to comply with accessibility standards. Both the Transbay Block 8 80/20 Apartments and the Transbay Block 8 Affordable Apartments will share the amenities on site. Construction is due to begin in January of 2016 and is anticipated to be completed in February of 2019.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 20%
20% (70 units) restricted to 50% or less of area median income households.
Unit Mix: Studio, 1 & 2 bedrooms

The proposed project will not be providing service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 266,289,512	
Estimated Hard Costs per Unit:	\$ 500,424	(\$174,147,432 /348 units)
Estimated per Unit Cost:	\$ 765,200	(\$266,289,512 /348 units)
Allocation per Unit:	\$ 755,944	(\$263,068,394 /348 units)
Allocation per Restricted Rental Unit:	\$ 3,758,120	(\$263,068,394 /70 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 mandates, Construction Type and Materials Selection.

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 263,068,394	\$ 245,262,843
LIH Tax Credit Equity	\$ 951,333	\$ 19,026,669
Direct-Indirect Public Funds	\$ 2,000,000	\$ 2,000,000
Other (Deferred Operating Reserve)	\$ 269,785	\$ 0
Total Sources	\$ 266,289,512	\$ 266,289,512
Uses of Funds:		
Acquisition/Land Purchase	\$ 15,125,000	
Hard Construction Costs	\$ 174,147,432	
Architect & Engineering Fees	\$ 11,794,227	
Contractor Overhead & Profit	\$ 5,453,000	
Developer Fee	\$ 8,527,393	
Legal Fees	\$ 1,000,000	
Fees/Permits	\$ 4,913,369	
Cost of Issuance	\$ 5,008,951	
Operating Reserve	\$ 269,784	
Capitalized Interest	\$ 21,681,909	
Development Fee	\$ 8,527,393	
Other Soft Costs (Marketing, Contingency, etc.)	\$ 9,841,054	
Total Uses	\$ 266,289,512	

Description of Financial Structure and Bond Issuance:

Bank of China USA will be the Credit Enhancer of the bonds for this project for both the construction and permanent periods. The project is underwritten by Citigroup Global Markets Inc. During the construction financing phase the loan term will be for 37 months with a (variable) interest rate of 2.745% . During the permanent financing phase, the loan term will be for 15 years with an amortization period of 35 years at a (variable) rate of 2.745%. There was no underwritten rate provided.

Analyst Comments:

Transbay block 7 & 8 development

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: 47.3 out of 100

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$263,068,394 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	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	0.8
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	8
Negative Points	-10	-10	0
Total Points	130	100	47.3

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.