

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 18, 2016
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Sarah Lester

Applicant: City and County of San Francisco

Allocation Amount Requested:
Tax-exempt: \$87,459,000

Project Information:
Name: Westbrook Apartments
Project Address: 40 Harbor Road
Project City, County, Zip Code: San Francisco, San Francisco, 94124

Project Sponsor Information:
Name: Westbrook Housing Partners, LP(Related/Westbrook Development Co., LLC; San Francisco Housing Development Corporation; JSCo Westbrook, LLC and Ridgepoint Non-Profit Housing Corporation)
Principals: Frank Cardone, William A. Witte and Steve Sherman for Related/Westbrook Development Co., LLC; David Sobel for San Francisco Housing Development Corporation; Jack D. Gardner for JSCo Westbrook, LLC; Larry B. Hollingsworth for Ridgepoint Non-Profit Housing Corporation
Property Management Company: John Stewart Company

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Bank of America, N.A./Freddie Mac
TEFRA Noticing Date: October 16, 2015
TEFRA Adoption Date: December 1, 2015

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 221, plus 2 manager units
Type: Acquisition and Rehabilitation
Type of Units: Family

Westbrook Apartments is an existing 226-unit multifamily public housing property located at 40 Harbor Road (it is also referred to as 90 Kiska Road) in the Bayview Hunters Point neighborhood of San Francisco. The project is being rehabilitated as part of a citywide program under which public housing units currently owned and operated by the San Francisco Housing Authority will convert to the Rental Assistance Demonstration (RAD) program. Under RAD, 3,584 units of public housing in 29 different projects will convert in two phases. The site consists of 3 separate parcels. The project consists of 37 residential buildings, a one-story property management office, and a one-story maintenance building. The project was constructed in 1957 on approximately 20 acres with an approximate gross building area of 254,450 square feet. The current unit mix includes 4 one-bedroom units, 59 two-bedroom units, 116 three-bedroom units, 33 four-bedroom units, and 11 five-bedroom units, for a total of 223 residential units. With the exception of the 4 one-bedroom flats, the units are located in wood-frame buildings that include 4-8 townhome units per building. One three-bedroom unit has been designated as the resident council office, 1 two-bedroom unit has been designated social services space, and 1 five-bedroom unit has been designated as a police sub-station, for a total of 3 non-residential units that are exclusively used for the benefit of project residents. The rehabilitation scope includes accessibility upgrades to apartments, general site, non-residential common areas; improvements to live safety, landslide hazard areas, retaining walls /flatwork /drainage; replacment of decks, windows, roofing, heating and ventilation, plumbing, electrical fixtures and various other rehabilitation items.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 98%
98% (217 units) restricted to 50% or less of area median income households.
Unit Mix: 1, 2, 3, 4 & 5

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:	\$	143,715,676
Estimated Hard Costs per Unit:	\$	227,413 (\$50,258,302 /221 units)
Estimated per Unit Cost:	\$	650,297 (\$143,715,676 /221 units)
Allocation per Unit:	\$	395,742 (\$87,459,000 /221 units)
Allocation per Restricted Rental Unit:	\$	395,742 (\$87,459,000 /217 restricted units)

The Project has total project costs of \$650,297 that appear high for the geographic area in which it is located.

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 87,459,000	\$ 26,123,000
SFHA Seller Carryback Loan	\$ 46,380,000	\$ 46,380,000
Accrued/Deferred Interest	\$ 2,531,575	\$ 2,531,575
Deferred Developer Fee	\$ 2,810,000	\$ 2,810,000
SF MOHCD Gap Loan	\$ 556,401	\$ 5,750,000
SF MOHCD Predev/Perm Loan	\$ 0	\$ 559,401
LH Tax Credit Equity	\$ 2,984,580	\$ 59,561,600
GP Equity	\$ 0	\$ 100
Total Sources	\$ 142,721,556	\$ 143,715,676
Uses of Funds:		
Land Cost/Acquisition	\$ 46,380,000	
Predev. Interest/Holding Cost	\$ 30,000	
Transfer Tax	\$ 1,159,500	
Rehabilitation	\$ 56,611,773	
Relocation	\$ 2,467,756	
Architectural Fees	\$ 1,720,048	
Survey & Engineering	\$ 137,000	
Construction Interest & Fees	\$ 8,125,921	
Permanent Financing	\$ 20,000	
Legal Fees	\$ 100,000	
Reserves	\$ 4,246,923	
Appraisal	\$ 20,000	
Contingency Cost	\$ 11,322,355	
Permit Processing Fees	\$ 1,132,235	
Other (Services Planning & Resident Engagement)	\$ 1,239,939	
Other (Property Insurance During Constr.)	\$ 1,250,000	
Other (Security During Constr.)	\$ 760,000	
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 992,226	
Developer Costs	\$ 6,000,000	
Total Uses	\$ 143,715,676	

Description of Financial Structure and Bond Issuance:

The financial structure for the proposed project is a private placement transaction provided by the Bank of America, N.A. which will convey the facility to the Federal Home Loan Mortgage Corporation (Freddie Mac) at conversion. During the construction financing phase the loan term will be for 30 months (plus one 6-month extension option) with a variable interest rate to LIBOR Daily Floating Rate of 0.43% plus a spread of 2.15% for an indicative rate of 2.58%. During the permanent financing phase, the loan term will be for 18 years with an amortization period of 35 years at a fixed rate equal to the 10-year Treasury Security of 1.82% plus a spread of 2.37% for an indicative rate of 4.19%. The bonds will be issued by the City and County of San Francisco.

Analyst Comments:

None

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: 82.5 out of 140

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$87,459,000 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
Preservation Project	20	20	0
Exceeding Minimum Income Restrictions:	35	15	35
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	10
Gross Rents	5	5	5
Large Family Units	5	5	5
Leveraging	10	10	10
Community Revitalization Area	5	5	0
Site Amenities	10	10	7.5
Service Amenities	10	10	0
New Construction or Substantial Renovation	10	10	10
Sustainable Building Methods	10	10	0
Forgone Eligible Developer Fee (Competitive Allocation Process Only)	10	10	0
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	0
Negative Points (No Maximum)	-10	-10	0
Total Points	140	120	82.5

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.