

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 22, 2009
Staff Report
*REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT*

Prepared by: Sarah Lester

Applicant: ABAG Finance Authority for Nonprofit Corporations

Allocation Amount Requested:
Tax-exempt: \$50,000,000

Project Information:
Name: 2235 Third Street Apartments
Project Address: 2235 Third Street Apartments
Project City, County, Zip Code: San Francisco, San Francisco, 94107

Project Sponsor Information:
Name: Martin McNerney Properties, LLC (Martin McNerney
Development, Inc. dba Martin Building Company)
Principals: Patrick McNerney

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Merchant Capital, L.L.C.
Credit Enhancement Provider: CBRE HMF, Inc. / HUD FHA / GNMA
Private Placement Purchaser: Not Applicable
TEFRA Hearing Date: June 9, 2009

Description of Proposed Project:
State Ceiling Pool: Mixed Income
Total Number of Units: 178, plus 1 manager unit
Type: New Construction
Type of Units: Family

Description of Public Benefits:
Percent of Restricted Rental Units in the Project: 21%
21% (37 units) restricted to 50% or less of area median income households.
 (0 units) restricted to 60% or less of area median income households.
Unit Mix: Studio, 1, 2 & 3 bedrooms

Term of Restrictions:
Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 62,407,106	
Estimated Hard Costs per Unit:	\$ 255,905	(\$45,551,020 /178 units)
Estimated per Unit Cost:	\$ 350,602	(\$62,407,106 /178 units)
Allocation per Unit:	\$ 280,899	(\$50,000,000 /178 units)
Allocation per Restricted Rental Unit:	\$ 1,351,351	(\$50,000,000 /37 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 50,000,000	\$ 50,000,000
Taxable Bond Proceeds	\$ 1,293,889	\$ 1,293,889
Deferred Developer Fee	\$ 4,426,699	\$ 4,426,699
LIH Tax Credit Equity	\$ 2,148,741	\$ 2,148,741
Direct & Indirect Public Funds	\$ 4,537,777	\$ 4,537,777
Total Sources	\$ 62,407,106	\$ 62,407,106

Uses of Funds:	
Land Costs	\$ 3,160,050
On & Off Site Costs	\$ 1,586,500
Hard Construction Costs	\$ 43,964,520
Architect & Engineering Fees	\$ 1,951,000
Contractor Overhead & Profit	\$ 1,424,851
Developer Fee	\$ 1,787,422
Cost of Issuance	\$ 1,894,050
Capitalized Interest	\$ 2,400,000
Other Soft Costs	\$ 4,238,713
Total Uses	\$ 62,407,106

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: 57.5 out of 98
 [See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$50,000,000 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	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	3.5
Community Revitalization Area	15	15	0
Site Amenities	10	10	10
Service Amenities	10	10	5
New Construction	10	10	10
Sustainable Building Methods	8	8	8
Negative Points	-10	-10	0
Total Points	118	98	57.5

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.