

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
November 16, 2011
Staff Report
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT**

Prepared by: Crystal Alvarez

Applicant: City and County of San Francisco

Allocation Amount Requested:
Tax-exempt: \$17,260,000

Project Information:
Name: Natoma Family Apartments
Project Address: 474 Natoma Street
Project City, County, Zip Code: San Francisco, San Francisco, 94103

Project Sponsor Information:
Name: 474 Natoma, LLC (BRIDGE Regional Partners, Inc.)
Principals: Cynthia Parker, Susan M. Johnson, D. Kemp Valentine,
Rebecca Hlebasko, Kimberly McKay and Rebecca Clark
Property Management Company: BRIDGE Property Management Company

Project Financing Information:
Bond Counsel: Squire, Sanders & Dempsey L.L.P.
Private Placement Purchaser: Bank of America, N.A.
TEFRA Hearing Date: August 9, 2011

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 59, plus 1 manager unit
Type: New Construction
Type of Units: Family

The proposed project consists of 60 rent restricted new construction family units. The project is located in San Francisco's South of Market District. The site is a T shape 0.2 acres parcel that is currently vacant. The project will be built as a 9 story Type I building with below grade parking. Units are a mix of studios, one, two and three bedroom units and range approximately 462 to 1,272 square feet. There is open space at the second floor podium and ninth floor terrace with a community garden, a manager's office, a community room and laundry rooms. Water, hot water, trash and sewer charges will be included in the tenants rents. All units will have hydronic heat and electric range-tops and ovens, dishwashers, and in-sink garbage disposals.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
59% (35 units) restricted to 50% or less of area median income households.
41% (24 units) restricted to 60% or less of area median income households.
Unit Mix: Studio, 1, 2 & 3 bedrooms

The project is within close proximity to transit lines (MUNI, BART and SamTrans), Bessie Carmichael Elementary School, recreation and shopping. The project has committed to providing educational classes to residents for a period of 10 years.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 32,545,157
Estimated Hard Costs per Unit: \$ 362,489 (\$21,386,875 /59 units)
Estimated per Unit Cost: \$ 551,613 (\$32,545,157 /59 units)
Allocation per Unit: \$ 292,542 (\$17,260,000 /59 units)
Allocation per Restricted Rental Unit: \$ 292,542 (\$17,260,000 /59 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 cost associated with an irregular-shaped urban infill site.

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 17,260,000	\$ 1,610,500
Developer Equity	\$ 100	\$ 100
LIH Tax Credit Equity	\$ 800,000	\$ 15,463,844
Direct & Indirect Public Funds	\$ 13,046,863	\$ 15,470,713
Developer Fee and Reserves Deferred	\$ 1,438,194	\$ 0
Total Sources	\$ 32,545,157	\$ 32,545,157

Uses of Funds:	
Land Purchase	\$ 25,001
On & Off Site Costs	\$ 778,952
Hard Construction Costs	\$ 20,607,923
Architect & Engineering Fees	\$ 2,659,458
Contractor Overhead & Profit	\$ 919,131
Developer Fee	\$ 2,500,000
Cost of Issuance	\$ 488,635
Capitalized Interest	\$ 1,038,477
Other Soft Costs (Marketing, etc.)	\$ 3,527,580
Total Uses	\$ 32,545,157

Description of Financial Structure and Bond Issuance:

Bank of America has committed to directly purchase \$17,260,000 in construction period bonds for the Natoma Family Apartments Project. During construction period the bonds will be interest only, with a variable rate set to one-month LIBOR plus 185 basis points. The term of the construction loan is twenty-four months, with two options for three-month extensions. Upon conversion the permanent bonds will be set to a fixed rate equal to 30-year United States Treasury rate plus 150 basis points for a term of 17 years. In addition, the project will receive a residual receipts loan from the San Francisco Redevelopment Agency, tax credit equity and a deferred developer fee.

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: 85 out of 118

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$17,260,000 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	0
Leveraging	10	10	10
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	0
Negative Points	-10	-10	0
Total Points	118	98	85

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.