

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 14, 2011
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Richard Fischer

Applicant: City and County of San Francisco-MOH

Allocation Amount Requested:
Tax-exempt: \$48,155,000

Project Information:
Name: 1180 Fourth Street
Project Address: 1180 4th Street
Project City, County, Zip Code: San Francisco, San Francisco, 94158-2245

Project Sponsor Information:
Name: Mercy Housing California XLIV, a California Limited Partnership
Principals: Jane Graf, Valerie Agostino, Stephan Daves, Ben Phillips, Barbara Gualco, Ed Holder, Lillian Murphy, Doug Shoemaker, Brian Shuman, Vince Dodds, Amy Bayley and Patricia O'Rourke
Property Management Company: Mercy Housing Management Group, Inc.

Project Financing Information:
Bond Counsel: Schiff Hardin LLP
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Silicon Valley Bank
TEFRA Hearing Date: September 13, 2011

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 149, plus 1 manager unit
Type: New Construction
Type of Units: Family/Special Needs

This modern architectural 150 unit design consists of two building types, one six-story and one five-story. There will be 42 one-bedroom, 54 two-bedroom and 53 three-bedroom units with one three-bedroom manager's unit. The proposed units feature full kitchen and bath, all appliances and balcony (not all units), blinds and coat closets. The Project also has a courtyard next to two family childcare units, and two large laundry facilities.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (149 units) restricted to 50% or less of area median income households.
Unit Mix: 1, 2 & 3 bedrooms

Service Amenity: A bona fide service coordinator/social worker.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 74,147,276	
Estimated Hard Costs per Unit:	\$ 394,169	(\$58,731,110 /149 units)
Estimated per Unit Cost:	\$ 497,633	(\$74,147,276 /149 units)
Allocation per Unit:	\$ 323,188	(\$48,155,000 /149 units)
Allocation per Restricted Rental Unit:	\$ 323,188	(\$48,155,000 /149 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 redundant building and site requirements.

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 48,155,000	\$ 3,851,000
Deferred Developer Fee	\$ 500,000	\$ 500,000
LIH Tax Credit Equity	\$ 3,148,121	\$ 30,675,584
Direct & Indirect Public Funds	\$ 20,915,074	\$ 39,120,692
Total Sources	\$ 72,718,195	\$ 74,147,276
 Uses of Funds:		
Land Purchase	\$ 0	
On & Off Site Costs	\$ 4,756,553	
Hard Construction Costs	\$ 53,974,557	
Architect & Engineering Fees	\$ 3,046,744	
Contractor Overhead & Profit	\$ 1,690,427	
Developer Fee	\$ 2,500,000	
Cost of Issuance	\$ 823,424	
Capitalized Interest	\$ 2,144,182	
Other Soft Costs (Marketing, etc.)	\$ 5,211,389	
Total Uses	\$ 74,147,276	

Description of Financial Structure and Bond

This bond transaction is a private placement transaction with the Silicon Valley Bank purchasing the construction period bonds in the amount of \$48,155,000. The construction period rate will be fixed rate during construction with an indicative rate of 2.25%. The permanent bonds will be fixed rate and will amortize over 20 years with a term of 20 years. The permanent period bonds will be priced at the greater of: National AAA Insured 20 year Municipal Bonds plus 1.75%; or 5.1%.

Analyst Comments:

HCD TOD award recipient.

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: 87.5 out of 118

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$48,155,000 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	5
Leveraging	10	10	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	7.5
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	87.5

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.