

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
May 16, 2012
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Annie Ong

Applicant: City and County of San Francisco

Allocation Amount Requested:
Tax-exempt: \$25,370,000

Project Information:
Name: 121 Golden Gate Avenue Senior Community
Project Address: 121 Golden Gate Avenue
Project City, County, Zip Code: San Francisco, San Francisco, 94102

Project Sponsor Information:
Name: Mercy Housing California 50, LP (Mercy Housing West and South of Market Mercy Housing)
Principals: Mercy Housing West: Jane Graf, Brian Shuman, Lillian Murphy, and Valerie Agostino
South of Market Mercy Housing: Richard Banks, Lillian Murphy, Jane Graf, Valerie Agostino, Brian Shuman, Vincent Dodds, and Amy Bayley
Property Management Company: Mercy Housing Management Group

Project Financing Information:
Bond Counsel: Sidley Austin and Lofton Jennings
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Silicon Valley Bank
TEFRA Hearing Date: August 2, 2011

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 89, plus 1 manager unit
Type: New Construction
Type of Units: Senior Citizens/Special Needs

The Project is a new construction development offering 90 units of affordable housing to seniors and homeless. The current site used to house the St. Anthony Foundation Dining Room and St. Anthony Foundation Free Medical Clinic and the building will be demolished for the new Project. The Project will incorporate open space, a courtyard, community rooms, computer and exercise rooms, and a library. There will be a reception desk with staff coverage 24 hours a day, 7 days a week.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (89 units) restricted to 50% or less of area median income households.
Unit Mix: Studio & 1 bedroom

The Project will offer contract for services and a bona fide service coordinator/social worker.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 42,918,500	
Estimated Hard Costs per Unit:	\$ 292,131	(\$25,999,650 /89 units)
Estimated per Unit Cost:	\$ 482,230	(\$42,918,500 /89 units)
Allocation per Unit:	\$ 285,056	(\$25,370,000 /89 units)
Allocation per Restricted Rental Unit:	\$ 285,056	(\$25,370,000 /89 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 several factors including pile work, cistern for high rise, which is part of the lift safety system, SF PUC requirement for storm water treatments, historical planning, and shape of the building (The building will be tall and narrow to achieve the density, so the lateral system for the structure of more per square feet than a wider and more stable structure).

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 25,370,000	\$ 0
Deferred Interest	\$ 0	\$ 218,434
LIH Tax Credit Equity	\$ 1,591,242	\$ 15,280,018
Direct & Indirect Public Funds	\$ 13,990,948	\$ 26,927,548
Other: GP Contribution	\$ 710,934	\$ 492,500
Total Sources	\$ 41,663,124	\$ 42,918,500
Uses of Funds:		
Land Purchase	\$ 2,706,500	
On & Off Site Costs	\$ 534,718	
Hard Construction Costs	\$ 25,464,932	
Architect & Engineering Fees	\$ 2,310,072	
Contractor Overhead & Profit	\$ 1,734,419	
Developer Fee	\$ 2,500,000	
Cost of Issuance	\$ 787,710	
Capitalized Interest	\$ 2,746,936	
Other Soft Costs (Marketing, etc.)	\$ 4,133,213	
Total Uses	\$ 42,918,500	

Description of Financial Structure and Bond Issuance:

Silicon Valley Bank has committed to purchasing tax-exempt private activity bonds to fund the Project. The construction loan amount of \$25,370,000 will mature in 30 months and will bear interest at the rate of 1.75%. Additional financing includes a HUD 202 Capital Grant upon completion in the amount of \$12,936,600, an AHP Award from the Federal Home Loan Bank in the amount of \$900,000, and a loan from the City and County of San Francisco Home Program in the amount of \$1,817,546.

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: 98 out of 120

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$25,370,000 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	10
New Construction	10	10	10
Sustainable Building Methods	10	10	8
Negative Points	-10	-10	0
Total Points	120	100	98

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.