

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 18, 2012
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: \$3,000,000

The amount of allocation requested is supplemental to the \$17,000,000 of allocation the Project received on .

Project Information:

Name: Ridgeview Terrace Apartments
Project Address: 140 Cashmere Street
Project City, County, Zip Code: San Francisco, San Francisco, 94124

Project Sponsor Information:

Name: 140 Cashmere Street, LP (Ridgeview Affordable Housing, Inc.)
Principals: Larry B. Hollingsworth, Edgar Brown, Harriett Starkes and
Chestene Mason
Property Management Company: The John Stewart Company

Project Financing Information:

Bond Counsel: Sidley Austin LLP
Underwriter: Citibank, N.A.
Credit Enhancement Provider: Citibank, N.A./Freddie Mac
Private Placement Purchaser: Not Applicable
TEFRA Hearing Date: January 10, 2012

Description of Proposed Project:

State Ceiling Pool: General
Total Number of Units: 100, plus 1 manager unit
Type: Acquisition and Rehabilitation
Type of Units: Family

The proposed project is an existing 101 multifamily development located in San Francisco's Bayview Hunters Point neighborhood. It was originally built in the early 1970s and has been used as affordable housing since that time. The property includes a mix of families and seniors and has a Section 8 contract for all residential units. The site itself is roughly 4.8 acres in size. Improvements include 8 two- and three-story residential buildings, a community building that houses office space, laundry facilities and meeting space and a small maintenance shed. The unit configuration is comprised of 12 studio units, 36 one-bedroom units, 28 two-bedroom units, 14 three-bedroom units, 10 four-bedroom units and one five-bedroom unit. Of all of these units, 20 will be restricted to households with incomes no greater than 50% of the area median income and 80 will be restricted to households with incomes no greater than 60% of the area median income. The scope of the work is comprehensive and includes new roofs, siding, windows and sliding glass doors, exterior painting, new trash enclosures, landscaping and irrigation improvements, sewer repairs, accessibility upgrades, interior light fixture replacement and renovated kitchens, bathrooms and flooring in select units (approximately 30-40 units based on existing conditions). Construction is scheduled to begin in August 2012 and will be completed within approximately 12 months.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
20% (20 units) restricted to 50% or less of area median income households.
80% (80 units) restricted to 60% or less of area median income households.
Unit Mix: 1-, 2-, 3-, 4-, and 5-bedrooms

The proposed project will include a bona fide service coordinator/social worker for ten (10) years.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 32,354,996
Estimated Hard Costs per Unit: \$ 115,755 (\$11,575,473 /100 units)
Estimated per Unit Cost: \$ 323,550 (\$32,354,996 /100 units)
Allocation per Unit: \$ 200,000 (\$20,000,000 /100 units)
Allocation per Restricted Rental Unit: \$ 200,000 (\$20,000,000 /100 restricted units)

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 20,000,000	\$ 20,000,000
Taxable Bond Proceeds	\$ 7,000,000	\$ 0
Developer Equity	\$ 100	\$ 100
LIH Tax Credit Equity	\$ 100,000	\$ 10,802,000
Deferred Developer Fee	\$ 0	\$ 277,896
Other (Cash Flow)	\$ 1,275,000	\$ 1,275,000
Total Sources	\$ 28,375,100	\$ 32,354,996
Uses of Funds:		
Acquisition/Land Purchase	\$ 10,233,875	
On & Off Site Costs	\$ 1,035,000	
Hard Construction Costs	\$ 10,540,473	
Architect & Engineering Fees	\$ 850,244	
Contractor Overhead & Profit	\$ 586,605	
Developer Fee	\$ 2,350,000	
Relocation	\$ 168,490	
Cost of Issuance	\$ 336,500	
Capitalized Interest	\$ 1,632,000	
Other Soft Costs (Marketing, etc.)	\$ 4,621,809	
Total Uses	\$ 32,354,996	

Description of Financial Structure and Bond Issuance:

The financial structure of the proposed project will be a credit enhancement transaction provided by Citibank, N.A./Freddie Mac. Bond financing for the project will entail the use of a funded forward structure. The City and County of San Francisco will issue the bonds. The bonds will be publicly offered with credit enhancement provided by the Federal Home Loan Mortgage Corporation ("Freddie Mac"). Citi will be the bond underwriter. During the construction period, Freddie Mac will advance bond proceeds for construction, although Citibank, N.A. will administer disbursement of the mortgage loan, oversee construction of the project and provide Freddie Mac with an irrevocable standby letter of credit. The construction period will be 24-months plus one 6-month extension option. The permanent loan term following conversion will be 15-years with a 35-year amortization. The interest rate for both the construction and permanent phases will have a fixed rate equal to the sum of 17 year maturity "AAA" bond rates as published by Thompson Municipal Market Monitor ("MMD") plus a 2.75% spread. The rate includes a 5bps servicing fee, however, does not include Issuer, Trustee, or miscellaneous third party fees. The rate will be committed at the time of closing of the the Construction Phase financing. The taxable bonds will be a variable rate equal to 30 day LIBOR plus a spread of 2.75%.

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.

Recommendation:

Staff recommends that the Committee approve \$3,000,000 in tax exempt bond allocation.