

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
September 26, 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: \$70,000,000

Project Information:
Name: Candlestick Heights Apartments
Project Address: 833-881 Jamestown Avenue
Project City, County, Zip Code: San Francisco, San Francisco, 94124

Project Sponsor Information:
Name: New Jamestown GP, LLC (JTMM LLC and BHPMSS Jamestown, LLC)
Principals: For JTMM LLC: Rick Holliday
For BHPMSS: Willie B. Kennedy, Aurelious Walker, and Ceasar Churchwell
Property Management Company: C&C Affordable Management, LLC

Project Financing Information:
Bond Counsel: Squire Sanders/Lofton & Jennings
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, N.A.
TEFRA Hearing Date: March 13, 2012

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 194, plus 2 manager units
Type: New Construction
Type of Units: Family

The Candlestick Heights Apartments is located on 6.86 acres at 833-881 Jamestown Avenue in San Francisco. The Project will be a new construction development consisting of three phases with a total of 11 buildings, which will contain 196 one-, two-, three-, and four-bedroom units, including two two-bedroom managers' units. Currently, 66 units (Phase 1) are complete and will be delivered January 2013. The remaining 130 units (Phases 2 and 3) will be new construction with an estimated completion date of June 2012. Landscaping and common green/picnic space will be integrated into the site plan. Both Phase 1 and Phase 2 site work include improved connections between the buildings and roadways. Project amenities include patios, limited access and video surveillance throughout, energy efficient appliances, and ample storage and closet space. The Project will have elevators, central laundry facilities, a garage, playground, a community room, and on-site management.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
22% (43 units) restricted to 50% or less of area median income households.
78% (151 units) restricted to 60% or less of area median income households.
Unit Mix: 1, 2, 3 & 4 bedrooms

After school programs will be offered.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$	130,572,046
Estimated Hard Costs per Unit:	\$	174,820 (\$33,915,000 /194 units)
Estimated per Unit Cost:	\$	673,052 (\$130,572,046 /194 units)
Allocation per Unit:	\$	360,825 (\$70,000,000 /194 units)
Allocation per Restricted Rental Unit:	\$	360,825 (\$70,000,000 /194 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 the Project’s “Old Costs” or “Funded Old Costs.” Absent these Old Costs, the Project’s development budget would be roughly \$73M, or less than \$375,000 per unit. The Old Costs were incurred in development of the Project by the existing owner. The costs include the initial acquisition of the Project site, the construction of the existing sixty-six (66) apartments on the site, as well as the unsuccessful marketing of those apartments as condos. The foreclosing bank incurred a significant financial loss and is not seeking repayment. Neither the requested bond allocation nor the low income housing tax credits generated by these bonds will be used to fund these Old Costs, though a substantial portion of them are included in the Project’s eligible basis. As required by Section 42 of the Internal Revenue Code, these Old Costs cannot be considered as truly separate from the subject project costs since the project sponsor is counting a portion of these costs as tax credit basis. TCAC has requested that the Project’s development budget exhibit the entirety of the Project costs. TCAC’s view is that the Project anticipated taking eligible basis from the Old Costs so these should also be exhibited in the development budget.

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 70,000,000	\$ 21,388,145
Fund Old Costs	\$ 54,929,188	\$ 54,929,188
Developer Equity/Deferred Cost	\$ 163,710	\$ 0
LIH Tax Credit Equity	\$ 2,500,000	\$ 52,492,498
Other (Deferred Fee)	\$ 2,500,000	\$ 1,283,067
Total Sources	\$ 130,092,898	\$ 130,092,898
Uses of Funds:		
Hard Construction Costs	\$ 36,025,618	
Architect & Engineering Fees	\$ 580,000	
Old Costs	\$ 83,929,188	
Developer Fee	\$ 2,500,000	
Cost of Issuance	\$ 1,177,499	
Capitalized Interest	\$ 2,425,000	
Other Soft Costs (Marketing, etc.)	\$ 3,455,593	
Total Uses	\$ 130,092,898	

Description of Financial Structure and Bond Issuance:

The tax-exempt bond allocation will be privately placed with Citibank, N.A. The construction period funding loan will carry a variable rate equal to SIFMA plus a spread of 2.0% and a term of 30 months. Currently, SIFMA is trading at approximately 0.08%, for a current all-in rate of 2.08%. The permanent loan period will carry a fixed rate equal to the sum of the 18 year maturity "AAA" bond rates as published by Thompson Municipal Market Monitor ("MMD") plus a spread of 2.0%. Currently, MMD is 2.46% for a current indicate rate of 4.46%. The term will be 14 years with an amortization of 35 years.

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: 68.5 out of 130
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve a waiver of the \$30 million maximum allocation limit.
Staff recommends that the Committee approve \$70,000,000 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	31
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	0
Large Family Units	5	5	0
Leveraging	10	10	0
Community Revitalization Area	15	15	5
Site Amenities	10	10	7.5
Service Amenities	10	10	5
New Construction	10	10	10
Sustainable Building Methods	10	10	0
Negative Points	-10	-10	0
Total Points	130	100	68.5

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.