

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
December 12, 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: \$30,000,000

Project Information:
Name: 2175 Market Street Apartments
Project Address: 2175 Market Street
Project City, County, Zip Code: San Francisco, San Francisco, 94114

Project Sponsor Information:
Name: FC 2175 Market, LLC (Forest City Residential Group, Inc.)
Principals: Kevin Ratner, James J. Prohaska, Scott Carlson, Mark Gerteis, Alexa Arena, James Ostom, Theodore R. Beder, Robert G. O'Brien and GERALYN M. PRESTI
Property Management Company: Forest City Residential Management, Inc.

Project Financing Information:
Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, N.A. (constr. & perm)/ Forest City Loan, LLC (perm only)
TEFRA Hearing Date: September 18, 2012

Description of Proposed Project:
State Ceiling Pool: Mixed Income
Total Number of Units: 87, plus 1 manager unit
Type: New Construction
Type of Units: Family

The proposed project will be a newly constructed 88 unit multi-family housing development located in the Upper Market Neighborhood Commercial District. The neighborhood is a mixture of residential and small scale commercial properties that has recently been rezoned to accommodate high density residential to take advantage of the prominent transit corridor centrally located in the city. The project will consist of 53 one-bedroom units and 35 two-bedroom units. Of these units, 20 percent will be targeted to families earning 50% of the area median income. The project will also include 6,200 square feet of ground floor commercial space. Construction is expected to start at the beginning of 2013 and be completed May 2014.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 21%
21% (18 units) restricted to 50% or less of area median income households.
Unit Mix: 1 & 2 bedrooms

The proposed project will provide instructor-led educational, health and wellness or skill building classes for a minimum of 84 hours per year.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 39,421,000	
Estimated Hard Costs per Unit:	\$ 285,471	(\$24,836,000 /87 units)
Estimated per Unit Cost:	\$ 453,115	(\$39,421,000 /87 units)
Allocation per Unit:	\$ 344,828	(\$30,000,000 /87 units)
Allocation per Restricted Rental Unit:	\$ \$1,666,667	\$30,000,000 /18 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: high cost area; additional height of the structure and subterranean parking resulted in added costs; project has elevators; attaining silver LEED status; prevailing wage; demolition of existing structure and removal of underground storage tanks; and challenging staging and construction logistics due to size of the site and triangular configuration and urban location.

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 30,000,000	\$ 30,000,000
LIH Tax Credit Equity	\$ 7,366,000	\$ 7,366,000
Direct & Indirect Public Funds	\$ 2,055,000	\$ 2,055,000
Total Sources	\$ 39,421,000	\$ 39,421,000
Uses of Funds:		
Acquisition/Land Purchase	\$ 3,880,000	
On & Off Site Costs	\$ 110,000	
Hard Construction Costs	\$ 24,726,000	
Architect & Engineering Fees	\$ 1,402,000	
Contractor Overhead & Profit	\$ 1,320,000	
Developer Fee	\$ 1,490,000	
Cost of Issuance	\$ 960,000	
Capitalized Interest	\$ 1,190,000	
Other Soft Costs (Marketing, etc.)	\$ 4,343,000	
Total Uses	\$ 39,421,000	

Description of Financial Structure and Bond Issuance:

The financial structure for the proposed project will be a private placement transaction provided by Citibank, N.A.(Citibank). Citibank will provide both construction and permanent financing for a portion of the costs of the project through a "back-to-back" tax-exempt bond structure. The bonds will be issued by the City and County of San Francisco. The construction phase will be for a term of 24 months, plus one 6-month extension. During this phase, Citibank will hold up to \$30,000,000 of the bonds, and the interest rate will be a variable rate equal to SIFMA plus a spread of 2.50% including a 5bps servicing fee. During the permanent phase, Citibank will hold up to \$24,000,000 (Senior Bonds) of the bonds and the interest rate will be a fixed rate equal to the sum of the 10 year maturity "AAA" bond rates as published by Thompson Municipal Market Monitor ("MMD") plus a spread of 2.75%, which includes a 5bps servicing fee. Forest City Loan, LLC will hold the balance of the bonds (\$6,000,000), which is referred to as the "Subordinate Bonds". These bonds will have a fixed interest rate upon closing at 500bps over the MMD 10 year maturity AAA bonds rate. The term of these bonds will be 8 years commencing at conversion of Senior Bonds. Payments during this term will be interest only.

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: 54.2 out of 100
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$30,000,000 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	6.2
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	0
Community Revitalization Area	15	15	0
Site Amenities	10	10	10
Service Amenities	10	10	5
New Construction	10	10	10
Sustainable Building Methods	10	10	8
Negative Points	-10	-10	0
Total Points	130	100	54.2

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.