

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
March 19, 2014
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

Allocation Amount Requested:
Tax-exempt: \$41,000,000

Project Information:
Name: Hunters View Apartments Phase IIA
Project Address: 112 Middle Point Road
Project City, County, Zip Code: San Francisco, San Francisco, 94124

Project Sponsor Information:
Name: HV Partners 2, L.P. (Hunters Point Affordable Housing, Inc.;
The John Stewart Company and Devine and Gong, Inc.)
Principals: Larry Hollingsworth, Ethel Corley, Chestene Mason and Edgar
Brown for Hunters Point Affordable Housing Inc.; John K.
Stewart, Jack D. Gardner, Daniel Levine, Noah Schwartz, Mari
Tustin, Tracy Balderas, Lori Horn, Loren Sanborn and Margaret
Miller for The John Stewart Company; Richard Devine for
Devine and Gong, Inc.
Property Management Company: The John Stewart Company

Project Financing Information:
Bond Counsel: Jones Hall, A Professional Law Corporation
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, N.A.
TEFRA Adoption Date: January 14, 2014

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 105, plus 1 manager unit
Type: New Construction
Type of Units:

This is a complete revitalization Project. All existing public housing units and other facilities on the site will be demolished. It will be replaced with over 800 new housing units including 267 one-for-one replacement of existing public housing units. All new roads, walkways and infrastructure improvements will be implemented. This is the second phase of three phases.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%
100% (105 units) restricted to 50% or less of area median income households.
Unit Mix: 1, 2, 3, 4 & 5 bedrooms

There are no service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 76,779,160	
Estimated Hard Costs per Unit:	\$ 496,639	(\$52,147,142 /105 units)
Estimated per Unit Cost:	\$ 731,230	(\$76,779,160 /105 units)
Allocation per Unit:	\$ 390,476	(\$41,000,000 /105 units)
Allocation per Restricted Rental Unit:	\$ 390,476	(\$41,000,000 /105 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 demolition of existing housing replaced with new housing and infrastructure.

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 41,000,000	\$ 10,000,000
General Partner Capital	\$ 100	\$ 100
LIH Tax Credit Equity	\$ 1,430,000	\$ 28,740,694
Direct & Indirect Public Funds	\$ 32,352,178	\$ 38,038,366
Total Sources	\$ 74,782,278	\$ 76,779,160

Uses of Funds:	
Acquisition/Land Purchase	\$ 1,339,608
New Construction Costs	\$ 57,902,959
Architectural	\$ 2,376,858
Survey & Engineering	\$ 778,857
Contingency Costs	\$ 2,614,135
Construction Period Expenses	\$ 4,210,626
Permanent Financing Expenses	\$ 10,000
Legal Fees	\$ 805,543
Capitalized Reserves	\$ 1,296,882
Reports & Studies	\$ 2,049,991
Other	\$ 2,193,701
Developer Costs	\$ 1,200,000
Total Uses	\$ 76,779,160

Description of Financial Structure and Bond Issuance:

This is a Private Placement Purchase transaction with Citibank, N.A. or affiliates as the purchaser. A Construction loan with interest only payments will be at a set rate of 4.90%. Term length is 30 months.

Analyst Comments:

In order to build new housing on the site, all of the site infrastructure must be replaced, including utilities, streets, open space, and sidewalks. This new infrastructure not only adds hard costs, but produces higher civil engineering and mapping fees than a typical project since the Infrastructure Improvement permits, related mapping, utility coordination and surveying represent significant elements of the project. There are many challenging topography and existing soil conditions. The Hunters View Phase IIA project will be located on a site with existing grade changes of over 20% in elevation. The infrastructure scope includes mass grading and soil off haul to build the new roads, sidewalks, curbs, utilities and a small park, plus grading for buildable housing pads. Due to accessibility requirements, extensive ramping is required to ensure the site is handicap accessible, adding to the overall project cost. The grade changes in the Hunters View Phase IIA site also require a significant amount of soil off-haul to allow for buildable pads for vertical construction. This process not only adds hard cost in labor and materials for trucking out the soil, but increases the soft costs required to conduct very strict and meticulous dust control oversight and recording protocols. These procedures, heavily regulated by the Bay Area Air Quality Management District and the Department of Public Health, also include daily construction monitoring and extensive reporting required for mass grading and any soil disturbing activities taking place on site, which largely includes the entire duration of the project. The project must also maintain the Storm Water Pollution Prevention Plan, as well as geotechnical and special inspections as are typical for any large construction project. Finally, the current escalation in pricing in the overall construction market contributes to higher than normal subcontractor bid pricing, environmental remediation of soil, archaeological work, City required design streetscape that added cost on the surrounding sidewalks, significant PG&E and Comcast relocation of utilities, both above ground and underground including relocation of street lights and transformer boxes. The Sponsor understands that it is CDLAC's policy to closely scrutinize high cost projects, especially when those costs are due to difficult site conditions. However, the purpose of the Hunters View project and the HOPE SF program in general is to revitalize specific public housing sites. For Hunters View, the location is intrinsic to the vision for HOPE SF and essential to its purpose. The Sponsor has made a good-faith effort to identify and pursue every possible source of financing to make this project feasible. Hunters View is a difficult and expensive project but one that will make a dramatic impact for its residents and the Bayview Hunters Point community.

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: 80 out of 130
[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$41,000,000 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	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	0
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	80

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.