

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 16, 2014
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Richard Fischer

Applicant: California Municipal Finance Authority

Allocation Amount Requested:

Tax-exempt: \$1,475,000

The amount of allocation requested is supplemental to the \$19,000,000 of allocation the Project received on May 21, 2014.

Project Information:

Name: Pacific Pointe at the Shipyard Apartments
Project Address: 350 Friedell Street
Project City, County, Zip Code: San Francisco, San Francisco, 94124

Project Sponsor Information:

Name: AMCAL Pacific Pointe Fund, Limited Partnership (AMCAL Multi-Housing Two, LLC)
Principals: Luxmi Vaz and Percival Vaz for AMCAL Multi-Housing Two, LLC
Property Management Company: FPI Management, Inc.

Project Financing Information:

Bond Counsel: Orrick, Herrington & Sutcliffe LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Bank of America, N.A.
TEFRA Adoption Date: March 19, 2014

Description of Proposed Project:

State Ceiling Pool: General
Total Number of Units: 59, plus 1 manager unit
Type: New Construction
Type of Units: Family

Pacific Pointe's 60 units will serve the residents and their needs by providing high quality affordable housing with modern amenities and on-site services. The one, two, and three bedroom apartment units offer contemporary living for residents with storage space and modern kitchens and bathrooms. To provide the most convenient living environment for families, all kitchens have garbage disposals, dishwashers, and Energy Star Appliances that will help to minimize utility costs for residents. The building is served with a large outdoor courtyard that includes grass covered open space where children can play along with seating areas for parents and residents. Pacific Pointe will include a community room about 1,000 sq.ft. that will have a large space for educational and social services programs along with a kitchenette and computer room. The manager's office is located on the first floor near the main entrance and next to the elevator.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 100%

31% (18 units) restricted to 50% or less of area median income households.

69% (41 units) restricted to 60% or less of area median income households.

Unit Mix: 1, 2 & 3 bedrooms

There are no service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

| | | |
|---|---------------|-------------------------------------|
| Estimated Total Development Cost: | \$ 28,620,715 | |
| Estimated Hard Costs per Unit: | \$ 334,931 | (\$19,760,922 /59 units) |
| Estimated per Unit Cost: | \$ 485,097 | (\$28,620,715 /59 units) |
| Allocation per Unit: | \$ 347,034 | (\$20,475,000 /59 units) |
| Allocation per Restricted Rental Unit: | \$ 347,034 | (\$20,475,000 /59 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 this project being an inclusionary component of the Hunters Point Shipyard master development. To convert the site from a vacant naval base to a residential community, the project will require approximately \$2.5M of costs (\$42,373/d.u.) of infrastructure work that would be atypical for a standard affordable housing development. In addition, the City and County of San Francisco is implementing a local hire requirement and a Project Labor Agreement, that will further increase costs.

| Sources of Funds: | Construction | Permanent |
|------------------------------------|---------------|---------------|
| Tax-Exempt Bond Proceeds | \$ 20,475,000 | \$ 2,872,197 |
| Developer Equity | \$ 1,975,000 | \$ 1,000,000 |
| LIH Tax Credit Equity | \$ 3,750,565 | \$ 13,010,642 |
| Other (Residual Receipt Loan) | \$ 2,420,150 | \$ 11,737,876 |
| Total Sources | \$ 28,620,715 | \$ 28,620,715 |
| Uses of Funds: | | |
| On & Off Site Costs | \$ 2,000,000 | |
| Hard Construction Costs | \$ 17,760,922 | |
| Architect & Engineering Fees | \$ 1,328,746 | |
| Contractor Overhead & Profit | \$ 2,223,347 | |
| Developer Fee | \$ 2,500,000 | |
| Cost of Issuance | \$ 616,189 | |
| Capitalized Interest | \$ 587,944 | |
| Other Soft Costs (Marketing, etc.) | \$ 1,603,567 | |
| Total Uses | \$ 28,620,715 | |

Description of Financial Structure and Bond Issuance:

This is a Bank of America Private Placement transaction with the bonds being issued by California Municipal Finance Authority. The construction loan terms shall be one-month LIBOR plus 1.80% adjusted monthly on a 360 day basis for 24 months (Indicative Rate would be 1.95%). The Permanent Loan financing shall be a 10-year interest rate swap plus 2.29% (Indicative Rate would be 5.0%). This is based on a 30 year amortization for the conversion to the Permanent Loan. The Maturity Date for the Loan will be 30 years from date of recordation of the Construction Loan. The Permanent Loan term will be that portion of the term of the years remaining once the Permanent Loan conversion occurs, with the Bank's obligation ending 17 years after the conversion date. The Bank at this point can "put" the bonds for mandatory redemption or reset the rate for the remaining term of the bonds at a variable rate with a floor equal to the fixed rate. The maturity date of the bonds may extend to 30 years following

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 \$1,475,000 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 | 0 |
| Large Family Units | 5 | 5 | 0 |
| Leveraging | 10 | 10 | 0 |
| Community Revitalization Area | 15 | 15 | 0 |
| Site Amenities | 10 | 10 | 0 |
| Service Amenities | 10 | 10 | 0 |
| New Construction | 10 | 10 | 10 |
| Sustainable Building Methods | 10 | 10 | 0 |
| Negative Points | -10 | -10 | 0 |
| Total Points | 130 | 100 | 55 |

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.