

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
October 21, 2015
Staff Report
REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A
QUALIFIED RESIDENTIAL RENTAL PROJECT

Prepared by: Brian Clark

Applicant: City and County of San Francisco

Allocation Amount Requested:
Tax-exempt: \$31,500,000

Project Information:
Name: Alice Griffith Phase 3A Apartments
Project Address: 2500 Arelious Walker Drive
Project City, County, Zip Code: San Francisco, San Francisco, 94124

Project Sponsor Information:
Name: Alice Griffith Phase 3A, LP (Alice Griffith Phase 3A MBS GP, Inc. and San Francisco Housing Development Corporation)
Principals: Hillary B. Zimmerman, Kevin J. McCormack, Kim Hartmann, Michael C. Duffy, Vincent R. Bennett and Yusef Freeman for Alice Griffith Phase 3A MBS GP, Inc.; Shirley Hamilton, Eddie Walker, Eve Combs and Christine D. Johnson for San Francisco Housing Development Corporation
Property Management Company: McCormack Baron Management, Inc.

Project Financing Information:
Bond Counsel: Stradling, Yocca, Carlson & Rauth
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: JPMorgan Chase Bank, NA
TEFRA Adoption Date: June 9, 2015

Description of Proposed Project:
State Ceiling Pool: General
Total Number of Units: 82, plus 0 manager units
Type: New Construction
Type of Units: Family

The Project, located on approximately 1.45 acres in San Francisco's Bayview area, is part of Phase 3 of the redevelopment of the Alice Griffith housing project and surrounding area that will take place over multiple financing phases and cover 7 city blocks. Phase 3 will consist of one 122-unit elevator served building, split into two tax credit limited partnerships via multiple air rights parcels. The Project is Phase 3A and will contain all units on Floors 1,3,4 and 5. Phase 3B will contain all units on the second floor, including the building's manager unit. Phase 3A will consist of 10 one-bedroom units, 60 two-bedroom units, 7 three-bedroom units and 3 four-bedroom units; all units will be income restricted (76 units at 50% Area Median Income ("AMI") and 4 units at 50% AMI). Unit amenities will include refrigerator, stove/oven, dishwasher, garbage disposal, storage closet, central heat, carpeting, blinds, balcony/patio and clothes washer/dryer in three, four and two-bedroom accessible units. Community amenities will include on-site management, tot lot, central courtyard, community room, bike storage, trash/recycle room and 66 subterranean parking spaces. Both phases will share proportional ownership of the community amenities. Construction is anticipated to begin in January 2016 and be completed in November 2017.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 98%

93% (76 units) restricted to 50% or less of area median income households.

5% (4 units) restricted to 60% or less of area median income households.

Unit Mix: 1, 2, 3 & 4 bedrooms

There will be no service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost:	\$ 64,106,394	
Estimated Hard Costs per Unit:	\$ 488,989	(\$40,097,069 /82 units)
Estimated per Unit Cost:	\$ 781,785	(\$64,106,394 /82 units)
Allocation per Unit:	\$ 384,146	(\$31,500,000 /82 units)
Allocation per Restricted Rental Unit:	\$ 393,750	(\$31,500,000 /80 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: significant increases in labor and material costs in the San Francisco area; prevailing wages must be paid to all project labor; 15% of the units will be three and four bedroom units and will add to the per-unit cost due to size; the receipt of HUD project subsidies requires the project have a 10% construction contingency, resulting in an additional cost of \$23,841 per unit; Unit-density requirements and parking requirements require the use of wood-framed construction over concrete podium parking; low-quality soil requires driven piles to support the building at an additional cost of \$13,435 per unit; new sewer and water lines, streets, sidewalks, and lighting must be installed at a cost of \$45,919 per residential unit and \$1,340,000 in permit filing and issuance fees, local impact fees, and 3rd party code monitoring fees add \$16,300 per unit.

Sources of Funds:	Construction	Permanent
Tax-Exempt Bond Proceeds	\$ 31,500,000	\$ 3,650,000
Lennar Loan	\$ 3,765,321	\$ 3,765,321
GP Contribution	\$ 500,000	\$ 500,000
LIH Tax Credit Equity	\$ 5,152,000	\$ 25,760,000
Direct & Indirect Public Funds	\$ 23,189,073	\$ 30,431,073
Total Sources	\$ 64,106,394	\$ 64,106,394

Uses of Funds:	
Acquisition/Land Purchase	\$ 6,484,679
On & Off Site Costs	\$ 3,765,321
Hard Construction Costs	\$ 40,097,069
Development Impact fees	\$ 1,340,000
Architect & Engineering Fees	\$ 1,797,846
Contractor Overhead & Profit	\$ 2,352,135
Developer Fee	\$ 2,500,000
Legal Fees	\$ 462,500
Cost of Issuance	\$ 376,588
Reserves	\$ 708,932
Construction & Permanent Financing	\$ 1,811,250
Other Soft Costs (Marketing, etc.)	\$ 2,410,074
Total Uses	\$ 64,106,394

Description of Financial Structure and Bond Issuance:

The bonds will be purchased as a private placement transaction by JPMorgan Chase Bank, NA. During the construction financing phase the loan term will be for 30 months with a variable interest rate of LIBOR plus 145 bps. During the permanent financing phase, the loan term will be for 20 years with an amortization period of 20 years at a fixed rate equal to the 10-year interest rate swap plus 4.15%. There was no underwritten rate provided.

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: 85 out of 130

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$31,500,000 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	0
Leveraging	10	10	10
Community Revitalization Area	15	15	0
Site Amenities	10	10	5
Service Amenities	10	10	0
New Construction	10	10	10
Sustainable Building Methods	10	10	10
Negative Points	-10	-10	0
Total Points	130	100	85

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.