

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**  
**March 18, 2015**  
**Staff Report**  
**REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A**  
**QUALIFIED RESIDENTIAL RENTAL PROJECT**

*Prepared by: Sarah Lester*

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**Applicant:** City and County of San Francisco

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**Allocation Amount Requested:**  
**Tax-exempt:** \$61,427,368

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**Project Information:**  
**Name:** Block 7W Mission Bay South Apartments  
**Project Address:** 588 Mission Bay Blvd. North  
**Project City, County, Zip Code:** San Francisco, San Francisco, 94157

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**Project Sponsor Information:**  
**Name:** Mission Bay Block 7 Housing Partners, LP (Related/Mission Bay Block 7 Development Co., LLC and CCDC-MBB7, LLC)  
**Principals:** William A. Witte, Frank Cardone and Steve Sherman for Related/Mission Bay Block 7 Development Co., LLC; Norman Wong for CCDC-MBB7, LLC)  
**Property Management Company:** Related Management Company

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**Project Financing Information:**  
**Bond Counsel:** Jones Hall, A Professional Law Corporation  
**Underwriter:** Not Applicable  
**Credit Enhancement Provider:** Not Applicable  
**Private Placement Purchaser:** Citibank, NA  
**TEFRA Adopted Date:** December 16, 2014

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**Description of Proposed Project:**  
**State Ceiling Pool:** General  
**Total Number of Units:** 198, plus 2 manager units  
**Type:** New Construction  
**Type of Units:** Family

The proposed project is a new construction family project to be located in the City and County of San Francisco. The site is flat and vacant and sits on 1.86 acres. It is an urban infill, mixed-use development consisting of a total 200 residential units and approximately 10,000 square feet (sf) of commercial/retail space (13,195 including the service corridor and loading). Of the 200 units, 198 will be restricted to households with incomes no greater than 60% of the area median income and the remaining two (2) units will be manager units. The project is 4 and 5-stories in height and includes 128 2-bedroom units and 62 1-bedroom units. There are two interior courtyards within the development: one at grade and the other above the concrete podium. In addition, there is approximately 1984 sf of community space for resident use, which includes a gym, lounge and community room. A BBQ area is located near the community building at the ground level. The overall gross square footage is 232,022. Net residential square footage, not including the manager's units, is 143,111. Construction includes demolition primarily to remove the existing asphalt paving which covers the site and its disposal. Offsite improvements include repairing or replacement of public sidewalks damaged as a result of construction activities. The Project is scheduled to commence construction in early April, 2015 with an estimated completion date in late December, 2016.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%  
20% (40 units) restricted to 50% or less of area median income households.  
80% (158 units) restricted to 60% or less of area median income households.  
**Unit Mix:** 1 & 2 bedrooms

No service amenities will be included in the project.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

**Estimated Total Development Cost:** \$ 81,513,277  
**Estimated Hard Costs per Unit:** \$ 302,004 (\$59,796,735 /198 units)  
**Estimated per Unit Cost:** \$ 411,683 (\$81,513,277 /198 units)  
**Allocation per Unit:** \$ 310,239 (\$61,427,368 /198 units)  
**Allocation per Restricted Rental Unit:** \$ 310,239 (\$61,427,368 /198 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: 1) prevailing wage; 2) costs of podium construction; 3) the building of a pile foundation system to stabilize the project and mitigate liquefaction risk in the event of an earthquake; 3) cost of containing methane gas; and 4) cost of providing required retail use.

<b>Sources of Funds:</b>	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 61,427,368	\$ 25,180,000
LIH Tax Credit Equity	\$ 1,749,861	\$ 34,997,230
Direct & Indirect Public Funds	\$ 16,975,000	\$ 16,975,000
Other (Marketing, etc.)	\$ 1,361,048	\$ 4,361,047
Total Sources	<u>\$ 81,513,277</u>	<u>\$ 81,513,277</u>
 <b>Uses of Funds:</b>		
On-site & Off-site Costs	\$ 1,646,942	
Hard Construction Costs	\$ 58,149,793	
Architect & Engineering Fees	\$ 3,129,740	
Contractor Overhead & Profit	\$ 2,371,470	
Developer Fee	\$ 2,500,000	
Cost of Issuance	\$ 525,000	
Capitalized Interest	\$ 1,773,000	
Other Soft Costs (Marketing, etc.)	\$ 11,417,332	
Total Uses	<u>\$ 81,513,277</u>	

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**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. (the "Bank") for both construction and permanent financing. During the construction phase, the loan term will be for 36 months with one 6-month extension. The construction phase all-in underwriting interest rate will be 3.000%. This interest rate will include a rate equal to the SIFMA Municipal Swap Index plus a spread of 1.80%, a cushion of 1.035%, and an issuance fee of 0.125%. During the permanent financing phase, the loan term will be for 15 years with an amortization period of 35 years. The permanent phase all-in underwriting interest rate will be 5.375%. This interest rate will include a variable rate equal to the sum of 18 year maturity "AAA" bond rates as published by Thompson Municipal Market Monitor ("MMD") of 2.350% plus a spread of 2.000% a cushion of 0.900%, and an issuance fee of 0.125%. The bonds will be issued by the City and County of San Francisco.

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**Analyst Comments:**

Not Applicable

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**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.

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**Total Points:** 85 out of 130  
[See Attachment A]

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**Recommendation:**

Staff recommends that the Committee approve \$61,427,368 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	30
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	10
Service Amenities	10	10	0
New Construction	10	10	10
Sustainable Building Methods	10	10	10
Negative Points	-10	-10	0
<b>Total Points</b>	<b>130</b>	<b>100</b>	<b>85</b>

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.