

THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
July 20, 2016
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: \$132,000,000

Project Information:

Name: 500 Folsom Apartments (aka Transbay 9)
Project Address: 500-510 Folsom Street
Project City, County, Zip Code: San Francisco, San Francisco, 94105

Project Sponsor Information:

Name: TBF, LP (Bridge 500 Folsom LLC & Essex 500 Folsom LLC)
Principals: Cynthia Parker, Susan M. Johnson, D. Kemp Valentine, Rebecca Hlebasko, Kimberly McKay, and Ann Silverberg for Bridge 500 Folsom LLC; Michael J. Schall, Angela L. Kleiman, John D. Eudy, Craig K. Zimmerman, John F. Burkart, Adam Berry, Deborah J. Jones, Jeff Lambert, Mark J. Mikl, and Jordan Ritter for Essex 500 LLC.
Property Management Company: Essex Portfolio, L.P.

Project Financing Information:

Bond Counsel: Quint & Thimmig LLP
Underwriter: Not Applicable
Credit Enhancement Provider: Not Applicable
Private Placement Purchaser: Citibank, N.A.
TEFRA Noticing Date: March 10, 2016
TEFRA Adoption Date: April 26, 2016

Description of Proposed Project:

State Ceiling Pool: Mixed Income
Total Number of Units: 308, plus 3 manager units
Type: New Construction
Type of Units: Family

500 Folsom is a high-density, mixed-income/mixed-use residential project located between Folsom Street and Clementina Street, and between First Street and Ecker Street. The structure is 42 stories and includes 436 unit market rate units which includes a manager's unit and 109 affordable housing units which also includes a manager's unit for a total of 545 units. The high-rise building also includes retail space, 6 floors of below grade automobile and bicycle parking, site/street improvements, and common open space. The affordable component consisting of 109 affordable units which includes a manager's unit and is evenly distributed within the lower twenty-one floors, market rate component consisting of 202 units which includes two manager's units sharing the lower twenty-one floors with another market rate component consisting of 234 units located throughout the entire upper twenty-one floors. Planned amenities include on-site managers, exercise room, and picnic area. Unit amenities will include a full kitchen/bath, refrigerator, garbage disposal, microwave, carpet, blinds, washer/dryer, coat closet, and storage closet. Construction is expected to begin in February 2016 with estimated completion in June 2019.

Description of Public Benefits:

Percent of Restricted Rental Units in the Project: 35%

20% (62 units) restricted to 50% or less of area median income households.

15% (46 units) restricted to 60% or less of area median income households.

Unit Mix: Studio, 1 & 2 bedrooms

The proposed project will not be providing service amenities.

Term of Restrictions:

Income and Rent Restrictions: 55 years

Details of Project Financing:

Estimated Total Development Cost: \$ 244,607,757

Estimated Hard Costs per Unit: \$ 466,089 (\$143,555,524 /308 units)

Estimated per Unit Cost: \$ 794,181 (\$244,607,757 /308 units)

Allocation per Unit: \$ 428,571 (\$132,000,000 /308 units)

Allocation per Restricted Rental Unit: \$ 1,222,222 (\$132,000,000 /108 restricted units)

Sources of Funds:	<u>Construction</u>	<u>Permanent</u>
Tax-Exempt Bond Proceeds	\$ 132,000,000	\$ 132,000,000
LIH Tax Credit Equity	\$ 3,450,071	\$ 36,531,945
Developer Equity	\$ 26,843,527	\$ 39,552,156
Deferred Developer Fee	\$ 2,500,000	\$ 2,500,000
Deferred Costs	\$ 0	\$ 7,059,060
Essex Residual Receipts Loan	\$ 0	\$ 7,000,000
Essex Equity Contribution	\$ 72,755,099	\$ 19,964,596
Total Sources	\$ 237,548,697	\$ 244,607,757

Uses of Funds:	
Land Cost/Acquisition	\$ 26,364,422
New Construction	\$ 162,686,443
Contractor Overhead	\$ 2,546,388
Architectural Fees	\$ 8,763,623
Survey and Engineering	\$ 357,178
Construction Interest and Fees	\$ 7,340,902
Permanent Financing	\$ 60,000
Legal Fees	\$ 932,294
Reserves	\$ 221,498
Permits	\$ 2,889,284
Contingency Cost	\$ 14,495,556
Local Development Impact Fees	\$ 1,161,268
Other Project Costs (Soft Costs, Marketing, etc.)	\$ 4,451,339
Developer Costs	\$ 12,337,562
Total Uses	\$ 244,607,757

Description of Financial Structure and Bond Issuance:

This is a City and County of San Francisco bond transaction and is a private placement by Citibank, N.A. During the construction financing phase the loan term will be for 48 months with a variable interest rate of 2.95% . During the permanent financing phase, the loan term will be for 30 years with an amortization period of 35 years at a variable rate of 2.95%.

Analyst Comments:

None

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: 43.5 out of 120

[See Attachment A]

Recommendation:

Staff recommends that the Committee approve \$132,000,000 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
Preservation Project	20	20	0
Exceeding Minimum Income Restrictions:	35	15	7
Exceeding Minimum Rent Restrictions [Allowed if 10 pts not awarded above in Preservation Project]	[10]	[10]	10
Gross Rents	5	5	5
Large Family Units	5	5	0
Leveraging	10	10	0
Community Revitalization Area	5	5	0
Site Amenities	10	10	7.5
Service Amenities	10	10	0
New Construction or Substantial Renovation	10	10	10
Sustainable Building Methods	10	10	4
Forgone Eligible Developer Fee (Competitive Allocation Process Only)	10	10	0
Minimum Term of Restrictions (Competitive Allocation Process Only)	10	10	0
Negative Points (No Maximum)	-10	-10	0
Total Points	140	120	43.5

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.