

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**September 23, 2009**

**Project Number** CA-2009-849

**Project Name** 220 Golden Gate Avenue  
**Address:** 220 Golden Gate Avenue  
San Francisco, CA 94102 County: San Francisco

**Applicant Information**

**Applicant:** 220 Golden Gate Associates, L.P.  
**Contact** Don Falk  
**Address:** 201 Eddy Street  
San Francisco, CA 94102  
**Phone:** (415) 776-2151 Fax: (415) 776-3952  
**Email:** dfalk@tndc.org  
**Sponsors Type:** Nonprofit

**Information**

**Housing Type:** Single Room Occupancy

**Bond Information**

**Issuer:** City and County of San Francisco  
**Expected Date of Issuance:** February 2010  
**Credit Enhancement:** None

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$3,009,062	\$0
Recommended:	\$3,009,062	\$0

**Project Information**

**Construction Type:** Acquisition and Rehabilitation  
**Federal Subsidy:** Tax-Exempt/HOME/CDBG  
**HCD MHP Funding:** Yes  
**Total # of Units:** 174  
**Total # Residential Buildings:** 1  
**Federal Setaside Elected:** 40%/60%  
**% & No. of Targeted Units:** 100% - 172 units  
**55-Year Use/Affordability Restriction:** Yes

**Eligible Basis**

**Actual:** \$67,304,318  
**Requested:** \$67,304,318  
**Maximum Permitted:** \$103,587,768

**Adjustments to Threshold Basis Limit:**

Required to Pay Prevailing Wages

95% of Upper Floor Units are Elevator-Serviced

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units that are  
 Income Targeted Between 50% AMI & 36% AMI: 100%

<u>Unit Type &amp; Number</u>	<u>2009 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
17 SRO Units	9%	\$171
155 SRO Units	15%	\$286
2 SRO Units	Manager's Unit	\$800

The general partner or principal owner is 220 Golden Gate GP LLC.

The project developer is Tenderloin Neighborhood Development Corporation.

The management services will be provided by Tenderloin Neighborhood Development Corporation.

The market analysis was provided by M.E. Shay & Co.

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

**Project Financing**

Estimated Residential Project Cost: \$86,914,550 Per Unit Cost: \$499,509 Construction Cost Per Sq. Foot: \$1,097\*

Estimated Commercial Project Cost: \$1,965,720

Estimated Total Project Cost: \$88,880,270

<u>Construction Financing</u>		<u>Permanent Financing</u>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Citibank - Tax Exempt Bonds	\$60,368,881	City and County of San Francisco	\$22,098,466
City and County of San Francisco	\$22,098,466	HCD - MHP	\$10,000,000
FHLB AHP	\$1,500,000	HCD - TOD	\$17,000,000
		CalHFA -MHSA	\$1,700,000
		FHLB AHP	\$1,500,000
		GP Equity	\$140,000
		Historic Tax Credit Equity	\$12,535,130
		Investor Equity	\$23,906,674
		<b>TOTAL</b>	<b>\$88,880,270</b>

\*Please see "Special Issues/Other Significant Information" below.

**Determination of Credit Amount(s)**

Requested Rehabilitation Eligible Basis:	\$62,229,633
Requested Acquisition Eligible Basis:	\$5,074,685
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	\$80,898,522
Qualified Acquisition Basis:	\$5,074,685
Applicable Rate:	3.50%
Maximum Annual Federal Rehabilitation Credit:	\$2,831,448
Maximum Annual Federal Acquisition Credit:	\$177,614
Total Maximum Annual Federal Credit:	\$3,009,062
Approved Developer Fee in Project Cost	\$1,200,000
Approved Developer Fee in Eligible Basis:	\$1,170,743
Investor Consultant:	Community Economics
Federal Tax Credit Factor:	\$0.79449

### Cost Analysis and Line Item Review

Staff analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitation. Annual operating expenses exceed the minimum operating expenses established in the Regulations, and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 3.50% of the qualified basis. Unless the applicant fixed the rate at bond issuance, the Federal Rate applicable to the month the project is placed-in-service will be used to determine the final allocation.

**Special Issues/Other Significant Information:** Construction cost of \$1,097 per square foot is computed as rehabilitation costs divided by square footage of residential units. This project is rehabilitation, historic preservation, and adaptive re-use of an existing YMCA building constructed in 1909. Residential square footage is estimated to be approximately 50,000 square feet. Common space for amenities, which include: onsite support services, a gymnasium, multipurpose room, resident lounges, and an auditorium, totals approximately 60,000 square feet. The unusually large common space square footage accounts for the exceptional construction cost per square foot. As noted above, this project is also utilizing historic tax credit equity.

A waiver has been granted for the minimum construction standard of floor coverings (Section 10325(f)(7)(G)). The applicant has requested and been granted a substitution of natural rubber flooring as a floor covering.

**Recommendation:** Staff recommends that the Committee make a reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

**Federal Tax Credits/Annual**  
\$3,009,062

**State Tax Credits/Total**  
\$0

### **Standard Conditions**

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee's next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

TCAC makes the reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project will be permitted without the express approval of TCAC.

The applicant must pay TCAC an allocation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are anticipated to be the final project costs, staff recommends that a reservation be made in the amount of federal credit shown above on condition that the final project costs be supported by itemized lender approved costs, and certified costs of the buildings as completed.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credits when the project is placed-in-service.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

**Additional Conditions:** The applicant/owner is required to provide the tenants with contracts for services free of charge for a minimum of ten (10) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC.

**Project Analyst:** Gina Ferguson