

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**2011 First Round**  
**June 22, 2011**

**Project Number** CA-2011-024

**Project Name** Madonna  
Site Address: 350 Golden Gate Avenue  
San Francisco, CA 94102 County: San Francisco  
Census Tract: 124.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$766,943	\$0
Recommended:	\$766,943	\$0

**Applicant Information**

Applicant: Mercy Housing California  
Contact: Jennifer Dolin  
Address: 1360 Mission Street, Suite 300  
San Francisco CA 94103  
Phone: 415-355-7114 Fax: 415-355-7101  
Email: jdolin@mercyhousing.org

General partner(s) or principal owner(s): Mercy Housing Calwest  
General Partner Type: Nonprofit  
Developer: Mercy Housing California  
Investor/Consultant: Community Economics  
Management Agent: Mercy Housing Management Group

**Project Information**

Construction Type: Acquisition & Rehabilitation  
Total # Residential Buildings: 1  
Total # of Units: 70  
No. & % of Tax Credit Units: 69 100%  
Federal Set-Aside Elected: 40%/60%  
Federal Subsidy: HOME / CDBG  
Average Targeted Affordability of Special Needs/SRO Project Units: 38.99%  
Affordability Breakdown by % (Lowest Income Points):  
30% AMI: 10 %  
40% AMI: 80 %

**Information**

Set-Aside: SRO-Single Room Occupancy  
 Housing Type: Single Room Occupancy  
 Geographic Area: San Francisco County  
 TCAC Project Analyst: Gina Ferguson

**Unit Mix**

69 SRO/Studio Units  
 1 1-Bedroom Units  


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 70 Total Units

<u>Unit Type &amp; Number</u>	<u>2010 Rents Targeted % of Area Median Income</u>	<u>2010 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
7 SRO/Studio	30%	30%	\$564
5 SRO/Studio	40%	40%	\$753
57 SRO/Studio	40%	40%	\$753
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

**Project Financing**

Estimated Total Project Cost: \$22,690,680  
 Estimated Residential Project Cost: \$21,270,680  
 Estimated Commercial Project Cost \$1,420,000

**Residential**

Construction Cost Per Square Foot: \$115  
 Per Unit Cost: \$303,867

**Construction Financing**

**Permanent Financing**

<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Citibank	\$3,041,265	SF Mayor's Office of Housing	\$3,000,000
SF Mayor's Office of Housing	\$3,000,000	Saint Anthony Foundation	\$12,600,000
Saint Anthony Foundation	\$12,600,000	Accrued interest	\$15,000
Deferred costs	\$3,248,741	Energy Credit Equity	\$140,149
Deferred Developer Fee	\$800,674	Tax Credit Equity	\$6,935,531
		<b>TOTAL</b>	<b>\$22,690,680</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation): \$6,228,870  
 130% High Cost Adjustment: Yes  
 Requested Eligible Basis (Acquisition): \$1,122,496  
 Applicable Fraction: 100.00%  
 Qualified Basis (Rehabilitation): \$8,097,531  
 Applicable Rate: 9.00%  
 Qualified Basis (Acquisition): \$1,122,496  
 Applicable Rate: 3.40%  
 Maximum Annual Federal Credit, Rehabilitation: \$728,778  
 Maximum Annual Federal Credit, Acquisition: \$38,165  
 Total Maximum Annual Federal Credit: \$766,943  
 Approved Developer Fee (in Project Cost & Eligible Basis): \$875,674  
 Investor/Consultant: Community Economics  
 Federal Tax Credit Factor: \$0.90431

Per Regulation Section 10322(i)(4)(A), The “as if vacant” land value and the existing improvement value established at application, as well as the eligible basis amount derived from those values, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Per Regulation Section 10327(c)(2)(C), Once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis.

**Eligible Basis and Basis Limit**

Requested Unadjusted Eligible Basis:	\$7,351,366
Actual Eligible Basis:	\$7,351,366
Unadjusted Threshold Basis Limit:	\$14,889,902
Total Adjusted Threshold Basis Limit:	\$19,363,201

**Adjustments to Basis Limit:**

- Required to Pay Prevailing Wages
- Local Development Impact Fees
- 95% of Upper Floor Units are Elevator-Serviced

**Tie-Breaker Information**

First:	<b>Single Room Occupancy</b>
Second:	<b>93.575%</b>

**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 limitations. 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 9.00% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.40%. Applicants are cautioned to consider the expected federal rate when negotiating with investors. TCAC's financial evaluation at project completion will determine the final allocation.

**Special Issues/Other Significant Information:**

As part of the rehabilitation, the unit mix will be increased from 51 to 70 units, converting existing common space. The project has a rental subsidy from the San Francisco Department of Health covering 12 units, as well as a capitalized operating subsidy. Waivers for minimum construction standards (landscaping, roof warranty, exterior doors, water heater, and insulation) were requested and granted.

**Legal Status:** Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

**Local Reviewing Agency:**

The Local Reviewing Agency, the San Francisco Mayor's Office of Housing, has completed a site review of this project and strongly supports this project.

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

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$766,943</b>	<b>\$0</b>

**Standard Conditions**

The applicant must submit all documentation required for a Carryover Allocation, any Readiness 180-Day Requirements elected, and a Final Reservation. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

TCAC makes the preliminary 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 as presented will be permitted without the express approval of TCAC.

The applicant must pay TCAC a performance deposit and 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 preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

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 credit 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.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of ten years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(6) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

**Additional Conditions:** None

<b>Points System</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Cost Efficiency / Credit Reduction / Public Funds</b>	<b>20</b>	<b>20</b>	<b>20</b>
Cost Efficiency	20	7	7
Public Funds	20	13	13
<b>Owner / Management Characteristics</b>	<b>9</b>	<b>9</b>	<b>9</b>
General Partner Experience	6	6	6
Management Experience	3	3	3
<b>Housing Needs</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Site Amenities</b>	<b>15</b>	<b>15</b>	<b>15</b>
Within ¼ mile of transit stop, service every 30 minutes in rush hours	6	6	6
Within ¼ mile of public park or community center open to general public	3	3	3
Within ¼ mile of public library	3	3	3
Within ½ mile of a neighborhood market of at least 5,000 sf	3	3	0
Within ¼ mile of a weekly farmers' market operating at least 5 months/year	2	0	2
Special Needs/SRO project within ½ mile of facility serving tenant pop.	3	3	3
Within ½ mile of medical clinic or hospital	3	3	0
Within ¼ mile of a pharmacy	2	2	2
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>SPECIAL NEEDS AND SRO HOUSING TYPES</b>			
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 360 bdrms	5	5	5
Adult ed/health & wellness/skill bldg classes, min 84 hrs/yr instruction	5	5	5
<b>Sustainable Building Methods</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>REHABILITATION</b>			
Rehabilitate to improve energy efficiency (change in HERS II rating): 25%	7	7	7
Additional rehab measures: PV generation that offsets 50% of common area load/project has onsite renewable generation per TCAC Regulations	3	3	3
<b>Lowest Income</b>	<b>52</b>	<b>52</b>	<b>52</b>
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b>	<b>20</b>	<b>20</b>	<b>20</b>
<b>Miscellaneous Federal and State Policies</b>	<b>2</b>	<b>2</b>	<b>2</b>
Qualified Census Tract	2	2	2
<b>Total Points</b>	<b>148</b>	<b>148</b>	<b>148</b>

**Please Note:** If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

**DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.**