**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**
**Project Staff Report**
**Tax-Exempt Bond Project**
**March 13, 2013**

| | |
|---|---|
| **Project Number** | CA-13-819 |

| | | |
|---|---|---|
| **Project Name** | 1401-1415 Mission Street | |
| Site Address: | 1401-1415 Mission Street | |
| | San Francisco, CA 94103 | County: San Francisco |
| Census Tract: | 176.010 | |

| **Tax Credit Amounts** | **Federal/Annual** | **State/Total** |
|---|---|---|
| Requested: | $418,327 | $0 |
| Recommended: | $418,327 | $0 |

**Applicant Information**

| | | | |
|---|---|---|---|
| Applicant: | 1401 Mission Affordable, LP | | |
| Contact: | Jaqui Braver | | |
| Address: | 14 Mint Plaza, 5th Floor | | |
| | San Francisco, CA 94103 | | |
| Phone: | (415) 378-7566 | Fax: | (415) 442-4811 |
| Email: | jbraver@martinbuilding.com | | |

| | |
|---|---|
| General partner(s) or principal owner(s): | 1401 Mission Properties, LLC |
| | Urban Preservation Foundation |
| General Partner Type: | Joint Venture |
| Developer: | Martin McNerney Development, Inc. |
| Investor/Consultant: | Patrick McNerney |
| Management Agent: | Urban Preservation Foundation |

**Project Information**

| | |
|---|---|
| Construction Type: | New Construction |
| Total # Residential Buildings: | 1 |
| Total # of Units: | 121 |
| No. & % of Tax Credit Units: | 24 20% |
| Federal Set-Aside Elected: | 20%/50% |
| Federal Subsidy: | Tax-Exempt / FHA/HUD Loan |
| HCD MHP Funding: | No |
| 55-Year Use/Affordability: | Yes |

Number of Units @ or below 50% of area median income: 24

**Bond Information**

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|---|---|
| Issuer: | City of San Francisco, Mayor's Office of Housing |
| Expected Date of Issuance: | March 13, 2013 |
| Credit Enhancement: | N/A |

**Information**

| | |
|---|---|
| Housing Type: | Non-Targeted |
| Geographic Area: | San Francisco County |
| TCAC Project Analyst: | Connie Osorio |

**Unit Mix**

| | |
|---|---|
| 22 | SRO/Studio Units |
| 49 | 1-Bedroom Units |
| 50 | 2-Bedroom Units |
| 121 | Total Units |

| Unit Type & Number | | 2013 Rents Targeted % of Area Median Income | 2013 Rents Actual % of Area Median Income | Proposed Rent (including utilities) |
|---|---|---|---|---|
| 4 | SRO/Studio | 50% | 48% | $886 |
| 10 | 1 Bedroom | 50% | 50% | $989 |
| 10 | 2 Bedrooms | 50% | 48% | $1,139 |
| 1 | SRO/Studio | Manager's Unit | Manager's Unit | $2,543 |
| 17 | SRO/Studio | Market Rate Unit | Market Rate Unit | $2,750 |
| 39 | 1 Bedroom | Market Rate Unit | Market Rate Unit | $3,250 |
| 11 | 2 Bedrooms | Market Rate Unit | Market Rate Unit | $4,050 |
| 29 | 2 Bedrooms | Market Rate Unit | Market Rate Unit | $4,300 |

**Project Financing**

| | |
|---|---|
| Estimated Total Project Cost: | $61,168,069 |
| Estimated Residential Project Cost: | $60,712,026 |
| Estimated Commercial Project Cost: | $456,043 |

**Residential**

| | |
|---|---|
| Construction Cost Per Square Foot: | $340 |
| Per Unit Cost: | $501,752 |

**Construction Financing**

| Source | Amount |
|---|---|
| FHA/HUD Loan | $50,000,000 |
| State Water Resources Control Board | $1,500,000 |
| Developer Equity | $3,193,962 |
| Deferred Developer Fee | $2,500,000 |
| Tax Credit Equity | $3,974,107 |

**Permanent Financing**

| Source | Amount |
|---|---|
| FHA/HUD Loan | $50,000,000 |
| State Water Resources Control Board | $1,500,000 |
| Developer Equity | $3,193,962 |
| Deferred Developer Fee | $2,500,000 |
| Tax Credit Equity | $3,974,107 |
| **TOTAL** | **$61,168,069** |

**Determination of Credit Amount(s)**

| | |
|---|---|
| Requested Eligible Basis: | $50,279,711 |
| 130% High Cost Adjustment: | Yes |
| Applicable Fraction: | 20.00% |
| Qualified Basis: | $13,072,725 |
| Applicable Rate: | 3.20% |
| Total Maximum Annual Federal Credit: | $418,327 |
| Approved Developer Fee (in Project Cost & Eligible Basis): | $2,500,000 |
| Investor/Consultant: | Patrick McNerney |
| Federal Tax Credit Factor: | $0.95000 |

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**

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|---|---|
| Requested Unadjusted Eligible Basis: | $50,279,711 |
| Actual Eligible Basis: | $50,279,711 |
| Unadjusted Threshold Basis Limit: | $41,553,814 |
| Total Adjusted Threshold Basis Limit: | $58,428,725 |

**Adjustments to Basis Limit:**

Parking Beneath Residential Units
Environmental Mitigation
95% of Upper Floor Units are Elevator-Serviced
55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 20%

**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 meet 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 3.20% of the qualified basis. 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:** None

**Local Reviewing Agency:**
The Local Reviewing Agency, San Francisco Mayor's Office of Housing, has completed a site review of this project and 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:

| Federal Tax Credits/Annual | State Tax Credits/Total |
|---|---|
| **$418,327** | **$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.

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 reservation 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.

**Additional Conditions:**
The applicant/owner is required to complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The project commits to becoming certified under following program:
  Leadership in Energy & Environmental Design (LEED for Homes GOLD)
- The project is a new construction or adaptive reuse project that exceeds Title 24 Energy Standards by at least 20%, or is a rehabilitation project not subject to Title 24, that reduces energy use on a per square foot basis by 25% as calculated using a methodology approved by the California Energy Commission.