

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report  
Tax-Exempt Bond Project  
May 15, 2013**

**Project Number** CA-13-845

**Project Name** 1100 Ocean Avenue Apartments  
Site Address: 1100 Ocean Avenue  
San Francisco, CA 94112 County: San Francisco  
Census Tract: 310.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,225,562	\$0
Recommended:	\$1,225,562	\$0

**Applicant Information**

Applicant: 1100 Ocean Avenue Limited Partnership, a California limited partnership  
Contact: Daniel Wade  
Address: 1360 Mission Street #300  
San Francisco, CA 94103  
Phone: 415.355.7119 Fax: 415.355.7101  
Email: dwade@mercyhousing.org

General partner(s) or principal owner(s): Mercy Housing Calwest, a CA non-profit public benefit corp.  
Bernal Housing LLC, a CA limited liability company  
General Partner Type: Nonprofit  
Developer: Mercy Housing California  
Investor/Consultant: Community Economics  
Management Agent: Mercy Housing Management Group

**Project Information**

Construction Type: New Construction  
Total # Residential Buildings: 1  
Total # of Units: 71  
No. & % of Tax Credit Units: 70 100.00%  
Federal Set-Aside Elected: 40%/60%  
Federal Subsidy: Tax-Exempt  
HCD MHP Funding: Yes  
55-Year Use/Affordability: Yes  
Number of Units @ or below 35% of area median income: 25  
Number of Units @ or below 50% of area median income: 45

**Bond Information**

Issuer: City and County of San Francisco  
 Expected Date of Issuance: June 2013  
 Credit Enhancement: None

**Information**

Housing Type: Large Family  
 Geographic Area: San Francisco County  
 TCAC Project Analyst: Gina Ferguson

**Unit Mix**

18 SRO/Studio Units  
 18 1-Bedroom Units  
 21 2-Bedroom Units  
 14 3-Bedroom Units  


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 71 Total Units

<b>Unit Type &amp; Number</b>	<b>2013 Rents Targeted % of Area Median Income</b>	<b>2013 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
18 SRO/Studio	20%	15%	\$276
7 1 Bedroom	20%	15%	\$289
11 1 Bedroom	50%	50%	\$989
21 2 Bedrooms	50%	48%	\$1,139
13 3 Bedrooms	50%	46%	\$1,265
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Financing**

Estimated Total Project Cost: \$37,942,648  
 Estimated Residential Project Cost: \$34,984,707  
 Estimated Commercial Project Cost \$2,957,941

**Residential**

Construction Cost Per Square Foot: \$284  
 Per Unit Cost: \$492,742

**Construction Financing**

**Permanent Financing**

<b>Source</b>	<b>Amount</b>	<b>Source</b>	<b>Amount</b>
Silicon Valley Bank - Tax Exempt Bonds	\$19,500,000	HCD - MHP	\$7,345,000
San Francisco Mayor's Office of Housing	\$8,873,702	San Francisco Mayor's Office of Housing	\$9,670,574
San Francisco RDA	\$1,500,000	San Francisco RDA	\$1,500,000
Value of Ground Lease (San Francisco RDA)	\$4,350,000	Value of Ground Lease (SF RDA)	\$4,350,000
CalHFA - MHSA	\$600,000	CalHFA - MHSA	\$600,000
Accrued Deferred Interest	\$136,208	General Partner Capital Contribution	\$1,345,000
Deferred Costs	\$2,787,739	Accrued Deferred Interest	\$136,207
General Partner Equity	\$145,000	Deferred Developer Fee	\$120,500
Tax Credit Equity	\$50,000	Tax Credit Equity	\$12,875,367
		<b>TOTAL</b>	<b>\$37,942,648</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$29,460,622
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$38,298,809
Applicable Rate:	3.20%
Maximum Annual Federal Credit:	\$1,225,562
Approved Developer Fee in Project Cost:	\$2,400,000
Approved Developer Fee in Eligible Basis:	\$2,239,200
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	\$1.05057

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:	\$29,460,622
Actual Eligible Basis:	\$29,460,622
Unadjusted Threshold Basis Limit:	\$27,942,440
Total Adjusted Threshold Basis Limit:	\$71,214,132

**Adjustments to Basis Limit:**

Required to Pay Prevailing Wages

Local Development Impact Fees

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 64%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 70%

**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 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:**

The project has an operating subsidy from the San Francisco Local Operating Subsidy Program (LOSP) for 19 of the units. The operating subsidy is provided for 19 of 25 units targeted for homeless transition aged youth. The project also has a pending commitment of \$600,000 in operating subsidy from CalHFA MHSA for 6 units.

**Local Reviewing Agency:**

The Local Reviewing Agency, 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>\$1,225,562</b>	<b>\$0</b>

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 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 provide the tenants with the following service amenities 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:

- Contract with a full time equivalent bona fide service coordinator / social worker for a minimum number of hours per year on-site

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 any one of the following programs: Leadership in Energy & Environmental Design (LEED); Green Communities; or the GreenPoint Rated Multifamily Guidelines
- The project will be developed beyond the minimum requirements of the green building program by meeting the GreenPoint Rated 100 standard.
- The project will exceed Title 24 Standards for New Construction / Adaptive Reuse by 17.5% of the California Building Code.