

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2014 First Round
June 11, 2014

Project Number CA-14-008

Project Name Richardson Hall
 Site Address: 55 Laguna Street
 San Francisco, CA 94102 County: San Francisco
 Census Tract: 168.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,800,396	\$0
Recommended:	\$1,800,396	\$0

Applicant Information

Applicant: 55 Laguna, L.P.
 Contact: Ramie Dare
 Address: 1360 Mission Street #300
 San Francisco, CA 94103
 Phone: (415) 355-7118 Fax: (415) 355-7122
 Email: rdare@mercyhousing.org

General Partner(s) or Principal Owner(s): Mercy Housing Calwest
 Openhouse Laguna LLC
 General Partner Type: Nonprofit
 Parent Company(ies): Mercy Housing, Inc.
 Rainbow Adult Community Housing, a California
 non-profit corporation
 Developer: Mercy Housing CA
 Investor/Consultant: Bank of America Merrill Lynch
 Management Agent(s): Mercy Housing Management Company

Project Information

Construction Type: Rehabilitation-Only
 Total # Residential Buildings: 1
 Total # of Units: 40
 No. & % of Tax Credit Units: 39 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: N/A
 Affordability Breakdown by Units and % (Lowest Income Points):
 40% AMI: 4 10 %
 45% AMI: 10 25 %
 50% AMI: 16 40 %

Information

Set-Aside: N/A
 Housing Type: Seniors
 Geographic Area: San Francisco County
 TCAC Project Analyst: Connie Harina

Unit Mix

10 SRO/Studio Units
 26 1-Bedroom Units
 4 2-Bedroom Units

 40 Total Units

<u>Unit Type & Number</u>	<u>2014 Rents Targeted % of Area Median Income</u>	<u>2014 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 SRO/Studio	40%	35%	\$680
2 SRO/Studio	45%	39%	\$765
7 SRO/Studio	50%	44%	\$850
2 1 Bedroom	40%	37%	\$778
7 1 Bedroom	45%	42%	\$874
17 1 Bedroom	50%	47%	\$971
1 2 Bedrooms	40%	35%	\$874
1 2 Bedrooms	45%	39%	\$983
1 2 Bedrooms	50%	44%	\$1,093
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$26,863,269
 Estimated Residential Project Cost: \$23,869,380
 Estimated Commercial Project Cost \$2,993,889

Residential

Construction Cost Per Square Foot: \$285
 Per Unit Cost: \$596,734

Construction Financing

<u>Source</u>	<u>Amount</u>
Bank of America Merrill Lynch	\$15,770,405
City of San Francisco	\$7,595,145
Accrued Deferred Interest	\$108,762
Alta Laguna LLC - Grant	\$180,000
Tax Credit Equity	\$121,904

Permanent Financing

<u>Source</u>	<u>Amount</u>
City of San Francisco	\$7,595,145
Accrued Deferred Interest	\$108,762
Alta Laguna LLC - Grant	\$180,000
General Partner Equity	\$1,920
Tax Credit Equity	\$18,977,442
TOTAL	\$26,863,269

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$17,987,676
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$23,383,978
Applicable Rate:	7.70%
Maximum Annual Federal Credit, Rehabilitation:	\$1,800,396
Approved Developer Fee in Project Cost:	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Bank of America Merrill Lynch
Federal Tax Credit Factor:	\$1.05407

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:	\$17,987,676
Actual Eligible Basis:	\$19,232,444
Unadjusted Threshold Basis Limit:	\$12,259,368
Total Adjusted Threshold Basis Limit:	\$17,987,676

Adjustments to Basis Limit:

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

Tie-Breaker Information

First:	Seniors
Second:	36.026%

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 7.70% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.36%. 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:

Richardson Hall is an adaptive reuse of a former school into 40 units of senior housing, including 1 manager unit. The building is regulated by the City as a historic landmark and its historic defining features include the wide hallways, the existing large window openings and the existence of WPA-era murals at 5 locations interior to the building that must be preserved.

Staff noted a per unit cost of \$596,734. The applicant noted that the high per unit cost is attributed to the City Landmark status, environmental mitigation and seismic upgrading.

A waiver was granted for two existing two-bedroom units as allowed in TCAC Regulation Section 10325(g)(2)(E). These two-bedroom units will be 634 and 643 square feet.

A waiver for minimum construction standards for the Richardson Hall roof was granted as allowed in TCAC Regulation Section 10325(f)(7). The rehabilitation scope will include the installation of a new roof underlayment. This underlayment will have a 20 year warranty. On top of that underlayment will be the re-installation of the clay roof tiles that are a defining historic feature. The roof subcontractor will provide a 3 year warranty on these clay roof tiles.

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 & Community Development, 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:

Federal Tax Credits/Annual	State Tax Credits/Total
\$1,800,396	\$0

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation, any Readiness to Proceed 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

Points System	Max. Possible Points	Requested Points	Points Awarded
Cost Efficiency / Credit Reduction / Public Funds	20	20	20
Public Funds	20	20	20
Owner / Management Characteristics	9	8	9
General Partner Experience	6	6	6
Management Experience	3	2	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ¼ mile of transit stop, service every 30 min, 25 units/acre density	7	7	7
Within ¼ mile of public park or community center open to general public	3	3	3
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Within ½ mile of medical clinic or hospital	3	3	3
Within ½ mile of a pharmacy	1	1	1
Service Amenities	10	5	5
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Sustainable Building Methods	10	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop site in accordance w/requirements of: GreenPoint Rated Multifamily	5	5	5
Lowest Income	52	45	45
Basic Targeting	50	45	45
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	0	0
Readiness to Proceed	20	15	15
Miscellaneous Federal and State Policies	2	0	0
Total Points	148	123	124

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.