CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 16, 2015

Columbia Park Apartments, located at 21 Columbia Square Street and 1035 Folsom Street in San Francisco, requested and is being recommended for a reservation of $899,187 in annual federal tax credits to finance the acquisition and rehabilitation 49 units of housing serving large families with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Mercy Housing California and is located in Senate District 11 and Assembly District 17.

Columbia Park Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Columbia Park (CA-94-160). See **Special Issues/Other Significant Information** below for additional re-syndication information.

Project Number CA-15-946

Project Name Columbia Park Apartments
Site Address: 21 Columbia Square Street and 1035 Folsom Street
San Francisco, CA 94103 County: San Francisco
Census Tract: 178.020

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$899,187	$0
Recommended:	$899,187	$0

Applicant Information
Applicant: Mercy Housing California 67, L.P.
Contact: Lauren Maddock
Address: 1360 Mission Street Suite 300
San Francisco, CA 94103
Phone: 415-355-7100 Fax: 415-355-7101
Email: Lmaddock@mercyhousing.org

General Partner(s) or Principal Owner(s): Mercy Housing Calwest
General Partner Type: Nonprofit
Parent Company(ies): Mercy Housing California
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:	50
No. & % of Tax Credit Units:	49 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt
HCD MHP Funding:	No
55-Year Use/Affordability:	Yes

Number of Units @ or below 50% of area median income: 20
Number of Units @ or below 60% of area median income: 29

Bond Information

Issuer:	City & County of San Francisco
Expected Date of Issuance:	March 15, 2016
Credit Enhancement:	N/A

Information

Housing Type:	Large Family
Geographic Area:	San Francisco County
TCAC Project Analyst:	Jack Waegell

Unit Mix

3	1-Bedroom Units
12	2-Bedroom Units
31	3-Bedroom Units
4	4-Bedroom Units
50	Total Units

Unit Type & Number		2015 Rents Targeted % of Area Median Income	2015 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
1	1 Bedroom	50%	40%	$874
1	1 Bedroom	50%	49%	$1,084
1	1 Bedroom	60%	51%	$1,126
1	2 Bedrooms	50%	34%	$904
1	2 Bedrooms	50%	47%	$1,245
1	2 Bedrooms	60%	49%	$1,298
4	2 Bedrooms	50%	50%	$1,318
1	2 Bedrooms	60%	56%	$1,489
1	2 Bedrooms	60%	57%	$1,499
2	2 Bedrooms	60%	60%	$1,582
1	3 Bedrooms	50%	33%	$1,013
1	3 Bedrooms	60%	40%	$1,225
10	3 Bedrooms	50%	48%	$1,453
1	3 Bedrooms	60%	48%	$1,453
1	3 Bedrooms	60%	49%	$1,501
1	3 Bedrooms	50%	50%	$1,523
1	3 Bedrooms	60%	50%	$1,526
1	3 Bedrooms	60%	52%	$1,589
1	3 Bedrooms	60%	56%	$1,719
1	3 Bedrooms	60%	58%	$1,755
1	3 Bedrooms	60%	59%	$1,796
11	3 Bedrooms	60%	60%	$1,828
2	4 Bedrooms	60%	47%	$1,614
1	4 Bedrooms	60%	52%	$1,783
1	4 Bedrooms	60%	60%	$2,040
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application	
Land and Acquisition	$13,368,333
Construction Costs	$0
Rehabilitation Costs	$6,220,000
Construction Contingency	$933,000
Relocation	$630,756
Architectural/Engineering	$583,203
Construction Interest, Perm Financing	$954,509
Legal Fees, Appraisals	$18,500
Reserves	$418,660
Other Costs	$302,622
Developer Fee	$2,500,000
Commercial Costs	$514,167
Total	**$26,443,749**

Project Financing	
Estimated Total Project Cost:	$26,443,749
Estimated Residential Project Cost:	$25,929,582
Estimated Commercial Project Cost:	$514,167

Residential	
Construction Cost Per Square Foot:	$96
Per Unit Cost:	$518,592

Construction Financing

Source	Amount
Citibank	$13,779,028
City of San Francisco (Existing)	$2,652,403
Deferred Interest	$2,186,536
Seller Note	$3,741,670
Existing Reserves	$651,000
Tax Credit Equity	$1,024,564

Permanent Financing

Source	Amount
Citibank	$3,099,000
City of San Francisco (Existing)	$2,652,403
Deferred Interest	$2,186,536
Seller Note	$3,741,670
General Partner Loan	$4,000,000
Existing Reserves	$651,000
Tax Credit Equity	$10,113,140
TOTAL	**$26,443,749**

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$10,069,733
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$14,514,443
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$13,090,653
Qualified Basis (Acquisition):	$14,514,443
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	$420,210
Maximum Annual Federal Credit, Acquisition:	$478,977
Total Maximum Annual Federal Credit:	$899,187
Approved Developer Fee in Project Cost:	$2,500,000
Approved Developer Fee in Eligible Basis:	$2,456,053
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	$1.12470

Per Regulation Section 10322(h)(9)(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:	$24,584,176
Actual Eligible Basis:	$24,584,176
Unadjusted Threshold Basis Limit:	$25,816,375
Total Adjusted Threshold Basis Limit:	$44,404,166

Adjustments to Basis Limit

Required to Pay Prevailing Wages

One or more Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

● Project has onsite renewable generation estimated to produce 75% or more of annual common area electricity use as indicated in TCAC Regulations.

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: 40%

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 3.30% 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 applicant requested and was granted waivers of the minimum construction standards under TCAC Regulation Section 10325(f)(7)(B), (C), & (D) for the landscaping, roof, and exterior doors as supported by the physical needs assessment (PNA). A waiver was requested and partially granted of the Energy Star rated appliances under TCAC Regulation Section for 10325(f)(7)(E) where only appliances identified for replacement in the PNA must be replaced with Energy Star rated appliances. A waiver was requested and granted of the flooring required under TCAC Regulation Section for 10325(f)(7)(H) where Karndean vinyl plank flooring is used in the kitchens, living areas, and bedrooms. A waiver was requested and granted of the insulation required under TCAC Regulation Section for 10325(f)(7)(I) which would be excessively expensive

To be eligible for a new award of tax credits, the owner must provide documentation with the Form 8609 request (the placed in service submission) that the acquisition date and the placed in service date both occurred after the existing federal 15 year compliance period was completed. The initial 15 year compliance period is from January 1 of the owner's elected first year of credit through December 31 of the 15th year. The existing regulatory agreement expires December 31, 2049. The existing regulatory agreement income targeting is 20 units at or below 50% AMI and 29 units at or below 60% AMI.

Local Reviewing Agency

The Local Reviewing Agency, the San Francisco Mayor's Office of Housing and 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
$899,187	**$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 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:

- Instructor-led educational classes, health and wellness or skill-building classes off-site within 1/2 mile for a minimum of 84 hours per year
- Contract with a full time equivalent bona fide service coordinator / social worker for a minimum number of hours per year.