

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

January 18, 2017

Eddy & Taylor Family Housing, located at 210-238 Taylor Street in San Francisco, requested and is being recommended for a reservation of \$2,666,685 in annual federal tax credits to finance the new construction of 112 units of housing serving large families with rents affordable to households earning 50% of area median income (AMI). The project will be developed by Tenderloin Neighborhood Development Corporation and will be located in Senate District 11 and Assembly District 17.

The project financing includes state funding from the MHP and AHSC programs of HCD.

Project Number CA-17-700

Project Name Eddy & Taylor Family Housing
Site Address: 210-238 Taylor Street
San Francisco, CA 94102 County: San Francisco
Census Tract: 125.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,666,685	\$0
Recommended:	\$2,666,685	\$0

Applicant Information

Applicant: Eddy & Taylor Associates, L.P.
Contact: Donald S. Falk
Address: 201 Eddy Street
San Francisco, CA 94102
Phone: (415) 358-3923 **Fax:** (415) 776-3952
Email: dfalk@tndc.org

General Partner(s) or Principal Owner(s): E&T Housing GP LLC
General Partner Type: Nonprofit
Parent Company(ies): Tenderloin Neighborhood Development Corporation
Developer: Tenderloin Neighborhood Development Corporation
Investor/Consultant: Community Economics, Inc.
Management Agent: Tenderloin Neighborhood Development Corporation

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 113
 No. & % of Tax Credit Units: 112 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt
 HCD MHP Funding: Yes
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 112

Bond Information

Issuer: Mayor's Office of Housing and Community Development
 Expected Date of Issuance: April 1, 2017
 Credit Enhancement: N/A

Information

Housing Type: Non-Targeted
 Geographic Area: San Francisco County
 TCAC Project Analyst: Alex Ninh

Unit Mix

16 SRO/Studio Units
 14 1-Bedroom Units
 68 2-Bedroom Units
15 3-Bedroom Units
 113 Total Units

<u>Unit Type & Number</u>	<u>2016 Rents Targeted % of Area Median Income</u>	<u>2016 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
14 SRO/Studio	50%	44%	\$943
2 SRO/Studio	50%	50%	\$1,076
11 1 Bedroom	50%	47%	\$1,078
3 1 Bedroom	50%	50%	\$1,153
67 2 Bedrooms	50%	44%	\$1,213
15 3 Bedrooms	50%	42%	\$1,346
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$3,064,543
Construction Costs	\$46,885,121
Rehabilitation Costs	\$0
Construction Contingency	\$3,147,907
Relocation	\$0
Architectural/Engineering	\$4,124,505
Const. Interest, Perm. Financing	\$3,400,533
Legal Fees, Appraisals	\$68,797
Reserves	\$684,630
Other Costs	\$3,591,029
Developer Fee	\$4,035,989
Commercial Costs	\$3,749,354
Total	\$72,752,407

Project Financing

Estimated Total Project Cost:	\$72,752,407
Estimated Residential Project Cost:	\$68,486,453
Estimated Commercial Project Cost:	\$4,265,954

Residential

Construction Cost Per Square Foot:	\$423
Per Unit Cost:	\$606,075
True Cash Per Unit Cost*:	\$600,082

Construction Financing

Source	Amount
Union Bank	\$47,423,000
SF - MOHCD**	\$15,522,760
Accrued Interest	\$138,490
HCD - AHSC Grant	\$576,081
AHP	\$1,875,000
Tax Credit Equity	\$2,992,586

Permanent Financing

Source	Amount
SF - MOHCD**	\$15,334,046
SF - MOHCD** (Commercial)	\$4,265,954
Accrued Interest	\$138,490
HCD - AHSC Grant	\$576,081
HCD - AHSC Loan	\$11,708,895
HCD - MHP	\$7,000,000
AHP	\$1,875,000
Deferred Developer Fee	\$719,388
GP Equity	\$1,400,000
Tax Credit Equity	\$29,734,553
TOTAL	\$72,752,407

* Less Donated Land, Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

** San Francisco Mayor's Office of Housing and Community Development

Determination of Credit Amount(s)

Requested Eligible Basis:	\$63,116,804
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$82,051,845
Applicable Rate:	3.25%
Total Maximum Annual Federal Credit:	\$2,666,685
Approved Developer Fee in Project Cost:	\$4,035,989
Approved Developer Fee in Eligible Basis:	\$3,519,388
Investor/Consultant:	Community Economics, Inc.
Federal Tax Credit Factor:	\$1.11504

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:	\$63,116,804
Actual Eligible Basis:	\$63,116,804
Unadjusted Threshold Basis Limit:	\$48,801,156
Total Adjusted Threshold Basis Limit:	\$102,482,428

Adjustments to Basis Limit

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: 100%

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 3.25% 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, City of San Francisco, 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
\$2,666,685	\$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 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 the following program:
Leadership in Energy & Environmental Design (LEED)
- The project will exceed 2013 Title 24 Standards for New Construction by 15% of the California Building Code.
- The project commits to a parking ratio equivalent of 1 parking stall or less per SRO and 1-bedroom restricted rental units, and 1.5 parking stall or less per 2-bedroom and larger restricted rental units.