

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**January 18, 2017**

1601 Mariposa Street - 80/20 Apartments, located at 1601 Mariposa Street and 210 Arkansas Street in San Francisco, requested and is being recommended for a reservation of \$1,211,234 in annual federal tax credits to finance the new construction of 60 units of housing serving tenants with rents affordable to households earning 40-50% of area median income (AMI). The project will be developed by Related/Mariposa Development Co., LLC and will be located in Senate District 11 and Assembly District 17.

**Project Number** CA-17-706

**Project Name** 1601 Mariposa Street - 80/20 Apartments  
**Site Address:** 1601 Mariposa Street and 210 Arkansas Street  
San Francisco, CA 94107 County: San Francisco  
**Census Tract:** 227.040

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,211,234	\$0
Recommended:	\$1,211,234	\$0

**Applicant Information**

**Applicant:** Related/Mariposa Development Co., LLC  
**Contact:** Matt Keipper  
**Address:** 18201 Von Karman Ave, Ste. 900  
Irvine, CA 92612  
**Phone:** 415-677-9000  
**Email:** Matthew.Keipper@Related.com

**General Partner(s) or Principal Owner(s):** Related/Mariposa Housing Partners, LLC  
**General Partner Type:** For Profit  
**Parent Company(ies):** Related/Mariposa Development Co., LLC  
**Developer:** Related/Mariposa Development Co., LLC  
**Investor/Consultant:** Union Bank  
**Management Agent:** Related Management Company, LP

**Project Information**

**Construction Type:** New Construction  
**Total # Residential Buildings:** 3  
**Total # of Units:** 61  
**No. & % of Tax Credit Units:** 60 100.00%  
**Federal Set-Aside Elected:** 20%/50%  
**Federal Subsidy:** Tax-Exempt  
**HCD MHP Funding:** No  
**55-Year Use/Affordability:** Yes  
**Number of Units @ or below 50% of area median income:** 60

**Bond Information**

Issuer: City and County of San Francisco  
 Expected Date of Issuance: March 31, 2017  
 Credit Enhancement: Citibank

**Information**

Housing Type: Non-Targeted  
 Geographic Area: San Francisco County  
 TCAC Project Analyst: Lucy Vang

**Unit Mix**

15 SRO/Studio Units  
 19 1-Bedroom Units  
 23 2-Bedroom Units  
 4 3-Bedroom Units  


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 61 Total Units

<u>Unit Type &amp; 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>
2 SRO/Studio	40%	40%	\$861
3 1 Bedroom	40%	40%	\$922
3 2 Bedrooms	40%	40%	\$1,107
1 3 Bedrooms	40%	40%	\$1,279
13 SRO/Studio	50%	44%	\$943
15 1 Bedroom	50%	47%	\$1,078
20 2 Bedrooms	50%	44%	\$1,213
3 3 Bedrooms	50%	42%	\$1,346
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$5,532,453
Construction Costs	\$20,547,016
Rehabilitation Costs	\$0
Construction Contingency	\$0
Relocation	\$0
Architectural/Engineering	\$1,778,871
Const. Interest, Perm. Financing	\$3,210,613
Legal Fees, Appraisals	\$229,521
Reserves	\$362,333
Other Costs	\$2,610,615
Developer Fee	\$2,500,000
Commercial Costs	\$0
<b>Total</b>	<b>\$36,771,422</b>

**Project Financing**

Estimated Total Project Cost:	\$36,771,422
Estimated Residential Project Cost:	\$36,771,422
Estimated Commercial Project Cost:	\$0

**Residential**

Construction Cost Per Square Foot:	\$347
Per Unit Cost:	\$602,810
True Cash Per Unit Cost*:	\$534,180

**Construction Financing**

Source	Amount
Citibank	\$31,556,447
Donated Land Value	\$4,186,464
Deferred Costs & Reserves	\$362,333
Tax Credit Equity	\$666,178

**Permanent Financing**

Source	Amount
Citibank	\$19,261,396
Donated Land Value	\$4,186,464
Tax Credit Equity	\$13,323,562
<b>TOTAL</b>	<b>\$36,771,422</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$29,393,627
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$38,211,715
Applicable Rate:	3.25%
Total Maximum Annual Federal Credit:	\$1,211,234
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	Union Bank
Federal Tax Credit Factor:	\$1.10000

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:	\$29,393,627
Actual Eligible Basis:	\$30,391,391
Unadjusted Threshold Basis Limit:	\$24,179,828
Total Adjusted Threshold Basis Limit:	\$54,953,444

**Adjustments to Basis Limit**

Local Development Impact Fees

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 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 3.25% 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:**

This project is part of an 80/20 development that consists of 60 low-income housing tax credit (LIHTC) units plus 1 manager's unit and 238 market-rate units (299 units total). The LIHTC units will be dispersed throughout the 2 residential buildings amongst the market-rate units. Prior to the close of construction financing and prior to the commencement of construction, the applicant/sponsor will merge the existing parcels and then simultaneously split them into three parcels. A final tract map will be recorded which will create three vertical parcels, each with a legal description and assessor parcel number. The future Lot 1 will consist of the 238 market-rate units, the future Lot 2 will consist of LIHTC units plus the manager's unit (LIHTC Project), and the future Lot 3 will consist of the subterranean garage. Prior to or concurrently with construction closing, Related/Mariposa Development Co., LLC will become the owner of the fee title of all three Lots. The lessee of the LIHTC Project will enter into a certain Master Lease with Related/Mariposa Development Co., LLC, which will specify that the lessee of the LIHTC Project will not be liable for any part of the bond loan obligation. Furthermore, the bond loan and related financing documents will not be recorded on title of the LIHTC Project lot (Lot 2).

**Local Reviewing Agency**

The Local Reviewing Agency, 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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$1,211,234</b>	<b>\$0</b>

**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 be developed beyond the minimum requirements of the green building program by meeting the LEED for Homes SILVER standard.
- 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.