

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**Tax-Exempt Bond Project**

**May 17, 2017**

Alice Griffith Phase 4, located at 2800 Arelious Walker Drive in San Francisco, requested and is being recommended for a reservation of \$1,033,474 in annual federal tax credits to finance the new construction of 29 units of housing serving tenants A6with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by McCormack Baron Salazar, Inc. and will be located in Senate District 11 and Assembly District 17.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

**Project Number** CA-17-732

**Project Name** Alice Griffith Phase 4  
**Site Address:** 2800 Arelious Walker Drive  
San Francisco, CA 94124 **County:** San Francisco  
**Census Tract:** 234.00

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,033,474	\$0
Recommended:	\$1,033,474	\$0

**Applicant Information**

**Applicant:** Alice Griffith Phase 4, L.P.  
**Contact:** Yusef Freeman  
**Address:** 720 Olive Street, Suite 2500  
St. Louis, MO 63101  
**Phone:** (415) 800-0526  
**Email:** Yusef.Freeman@mccormackbaron.com

**General Partner(s) or Principal Owner(s):** Alice Griffith Phase 4 MBS GP, Inc.  
Tabernacle Community Development Corporation  
**General Partner Type:** Joint Venture  
**Parent Company(ies):** MBA Properties, Inc.  
Tabernacle Community Development Corporation  
**Developer:** McCormack Baron Salazar, Inc.  
**Investor/Consultant:** RBC Capital Markets  
**Management Agent:** McCormack Baron Management

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 2  
 Total # of Units: 31  
 No. & % of Tax Credit Units: 29 96.67%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (19 Units - 62%)  
 Choice Neighborhoods Implementation Grants (CNI)  
 HCD MHP Funding: No  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 50% of area median income: 16  
 Number of Units @ or below 60% of area median income: 13

**Bond Information**

Issuer: City and County of San Francisco  
 Expected Date of Issuance: July 26, 2017  
 Credit Enhancement: N/A

**Information**

Housing Type: Non-Targeted  
 Geographic Area: San Francisco County  
 TCAC Project Analyst: Zhuo Chen

**Unit Mix**

12 1-Bedroom Units  
 6 2-Bedroom Units  
 10 4-Bedroom Units  
 3 5-Bedroom Units  


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 31 Total Units

<b>Unit Type &amp; Number</b>	<b>2016 Rents Targeted % of Area Median Income</b>	<b>2016 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
6 1 Bedroom	60%	56%	\$1,293
6 1 Bedroom	50%	47%	\$1,078
5 2 Bedrooms	60%	53%	\$1,454
2 4 Bedrooms	60%	49%	\$1,745
7 4 Bedrooms	50%	41%	\$1,454
3 5 Bedrooms	50%	40%	\$1,563
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0
1 4 Bedrooms	Market Rate Unit	Market Rate Unit	\$4,655

Projected Lifetime Rent Benefit: \$34,481,700

**Project Cost Summary at Application**

Land and Acquisition	\$0
Construction Costs	\$18,200,000
Rehabilitation Costs	\$0
Construction Contingency	\$1,820,000
Relocation	\$0
Architectural/Engineering	\$1,752,000
Const. Interest, Perm. Financing	\$1,275,231
Legal Fees, Appraisals	\$430,000
Reserves	\$241,000
Other Costs	\$2,066,510
Developer Fee	\$1,500,000
Commercial Costs	\$0
<b>Total</b>	<b>\$27,284,741</b>

**Project Financing**

Estimated Total Project Cost:	\$27,284,741
Estimated Residential Project Cost:	\$27,284,741
Estimated Commercial Project Cost:	\$0

**Residential**

Construction Cost Per Square Foot:	\$472
Per Unit Cost:	\$880,153
True Cash Per Unit Cost*:	\$880,153

**Construction Financing**

Source	Amount
Chase - T.E. Bonds	\$14,450,000
City of SF - OCII Loan <sup>1</sup>	\$8,271,038
MOHCD - CNI Loan <sup>2</sup>	\$1,725,000
Tax Credit Equity	\$1,472,700

**Permanent Financing**

Source	Amount
Chase	\$6,800,000
City of SF - OCII Loan <sup>1</sup>	\$8,941,738
MOHCD - CNI Loan <sup>2</sup>	\$1,725,000
Tax Credit Equity	\$9,818,003
<b>TOTAL</b>	<b>\$27,284,741</b>

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

<sup>1</sup>OCII: Office of Community Investment and Infrastructure

<sup>2</sup>MOHCD: Mayor's Office of Housing and Community Development

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$25,697,925
130% High Cost Adjustment:	Yes
Requested Eligible Basis:	\$0
Applicable Fraction:	95.20%
Qualified Basis:	\$31,803,434
Applicable Rate:	3.25%
Total Maximum Annual Federal Credit:	\$1,033,474
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,500,000
Investor/Consultant:	RBC Capital Markets
Federal Tax Credit Factor:	\$0.95000

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:	\$25,697,925
Actual Eligible Basis:	\$25,697,925
Unadjusted Threshold Basis Limit:	\$16,056,682
Total Adjusted Threshold Basis Limit:	\$27,936,059

**Adjustments to Basis Limit**

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages

Environmental Mitigation

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 53%

**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**

Alice Griffith Phase 4 is the fourth of six construction phases to redevelop the Alice Griffith public housing complex. Phase 4 consists of 31 units, including the redevelopment of 19 existing public housing units and 12 new low income units.

Development costs are approximately \$880,153 per unit. The high costs are a result of the larger bedroom size of the units; lack of economics of scale for a small development; and costs associated with low-quality of the soil, methane mitigation system, retaining wall, permit processing and local development impact fees.

**Local Reviewing Agency**

The Local Reviewing Agency, the Office of Community Investment and Infrastructures, 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>\$1,033,474</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 Leadership in Energy & Environmental Design (LEED)
- The project commits to having at least 1 building subject to a policy developed by the owner that prohibits smoking in contiguous designated units.
- 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.