

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2017 First Round
June 7, 2017

95 Laguna Senior Housing, located at 95 Laguna Street in San Francisco, requested and is being recommended for a reservation of \$2,470,085 in annual federal tax credits to finance the new construction of 78 units of housing serving seniors with rents affordable to households earning 40-50% of area median income (AMI). The project will be developed by Mercy Housing California and will be located in Senate District 11 and Assembly District 17.

Project Number CA-17-052

Project Name 95 Laguna Senior Housing
Site Address: 95 Laguna Street
San Francisco, CA 94102 County: San Francisco
Census Tract: 168.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,500,000	\$0
Recommended:	\$2,470,085	\$0

Applicant Information

Applicant: Laguna Senior Housing, L.P.
Contact: Barbara Gualco
Address: 1360 Mission Street #300
San Francisco, CA 94103
Phone: 415.355.7117 **Fax:** 415.355.7101
Email: Bgualco@mercyhousing.org

General Partner(s) / Principal Owner(s): Mercy Housing Calwest
Openhouse Laguna LLC

General Partner Type: Nonprofit

Parent Company(ies): Mercy Housing Inc.
Openhouse

Developer: Mercy Housing California

Investor/Consultant: Community Economics

Management Agent(s): Mercy Housing Management Group

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 79
 No. & % of Tax Credit Units: 78 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: N/A
 Affordability Breakdown by Units and % (Lowest Income Points):
 40% AMI: 8 10 %
 45% AMI: 20 25 %
 50% AMI: 50 40 %

Information

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

Unit Mix

40 SRO/Studio Units
 36 1-Bedroom Units
 3 2-Bedroom Units

 79 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>
3 SRO/Studio	40%	20%	\$430
10 SRO/Studio	45%	39%	\$848
27 SRO/Studio	50%	44%	\$943
3 1 Bedroom	40%	20%	\$461
1 1 Bedroom	40%	37%	\$861
9 1 Bedroom	45%	42%	\$969
23 1 Bedroom	50%	47%	\$1,078
1 2 Bedrooms	40%	35%	\$970
1 2 Bedrooms	45%	39%	\$1,090
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$85,989,156

Project Cost Summary at Application

Land and Acquisition	\$5,653,184
Construction Costs	\$27,653,374
Rehabilitation Costs	\$0
Construction Contingency	\$1,382,519
Relocation	\$0
Architectural/Engineering	\$2,224,242
Const. Interest, Perm. Financing	\$1,739,119
Legal Fees, Appraisals	\$264,012
Reserves	\$349,880
Other Costs	\$2,632,441
Developer Fee	\$1,942,677
Commercial Costs	\$2,484,783
Total	\$46,326,231

Project Financing

Estimated Total Project Cost:	\$46,326,231
Estimated Residential Project Cost:	\$43,715,828
Estimated Commercial Project Cost	\$2,610,403

Residential

Construction Cost Per Square Foot:	\$563
Per Unit Cost:	\$553,365
True Cash Per Unit Cost*:	\$550,833

Construction Financing

Source	Amount
Silicon Valley Bank	\$20,467,870
City of San Francisco	\$19,806,054
AHP	\$1,170,000
General Partner Contribution	\$600,000
Tax Credit Equity	\$2,499,750

Permanent Financing

Source	Amount
City of San Francisco	\$19,806,054
AHP	\$1,170,000
General Partner Contribution	\$600,000
Deferred Developer Fee	\$200,000
Tax Credit Equity	\$24,550,177
TOTAL	\$46,326,231

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$21,367,521
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$27,777,778
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,500,000
Approved Developer Fee in Project Cost (Comm. & Res.):	\$1,942,677
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	\$0.99390

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:	\$21,367,521
Actual Eligible Basis:	\$35,967,023
Unadjusted Threshold Basis Limit:	\$25,430,116
Total Adjusted Threshold Basis Limit:	\$30,634,611

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
Local Development Impact Fees

Tie-Breaker Information

Initial:	Letter of Support
First:	Seniors
Final:	57.383%

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 9.0% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.23%. 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

Staff noted the residential developer fee in cost was in excess of the \$1,805,718 limit required by TCAC regulation section 10327(c)(2)(A). The cost was reduced accordingly resulting in a reduction to the federal credit amount recommended for this project.

Staff also noted the land costs listed in the sources and uses budget was incorrectly listed as \$4,488,000 when the actual cost was \$4,448,000. The cost was reduced accordingly resulting in a reduction to the federal credit amount recommended for this project.

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 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
\$2,470,085	\$0

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. 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 fifteen 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	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within 1/8 mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within 1/2 mile of public park or community center open to general public	3	3	3
Within 1/2 mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within 1/2 mile of medical clinic or hospital	3	3	3
Within 1/2 mile of a pharmacy	2	2	2
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	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: GreenPoint Rated	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	15	10	10
Miscellaneous Federal and State Policies	2	2	2
Smoke Free Residence	2	2	2
Total Points	138	121	121

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.