

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 19, 2017

1150 Third Street (Mission Bay South Block 3 East), located at 1150 Third Street in San Francisco, requested and is being recommended for a reservation of \$3,124,485 in annual federal tax credits to finance the new construction of 118 units of housing serving special needs tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Chinatown Community Development Center and Swords to Plowshares: Veterans Rights Organization. It will be located in Senate District 11 and Assembly District 17.

The project will be receiving rental assistance in the form of HUD VASH Section 8 Project-based Vouchers. The project financing includes state funding from the VHHP program of HCD.

Project Number CA-17-756

Project Name 1150 Third Street (Mission Bay South Block 3 East)
Site Address: 1150 Third Street
San Francisco, CA 94158 County: San Francisco
Census Tract: 607.00

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$3,124,485	\$0
Recommended:	\$3,124,485	\$0

Applicant Information

Applicant: MB3E, L.P.
Contact: Whitney Jones, Director of Housing Development
Address: 1525 Grant Avenue
San Francisco, CA 94133
Phone: 415-929-0757
Email: wjones@chinatowncdc.org

General Partner(s) or Principal Owner(s): CCDC-MB3E LLC
Swords-MB3E LLC

General Partner Type: Nonprofit

Parent Company(ies): Chinatown Community Development Center, Inc.
Swords to Plowshares: Veterans Rights Organization

Developer: Chinatown Community Development Center, Inc.
Swords to Plowshares: Veterans Rights Organization

Investor/Consultant: California Housing Partnership Corporation

Management Agent: Chinatown Community Development Center, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 119
 No. & % of Tax Credit Units: 118 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt
 HUD VASH Section 8 Project-Based Voucher (55 units - 46%)
 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: 98

Bond Information

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

Information

Housing Type: Special Needs
 Geographic Area: San Francisco County
 TCAC Project Analyst: Zhuo Chen

Unit Mix

12 SRO/Studio Units
 55 1-Bedroom Units
 31 2-Bedroom Units
21 3-Bedroom Units
 119 Total Units

<u>Unit Type & Number</u>	<u>2017 Rents Targeted % of Area Median Income</u>	<u>2017 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
2 SRO/Studio	50%	11%	\$258
5 1 Bedroom	50%	11%	\$269
10 SRO/Studio	60%	30%	\$691
45 1 Bedroom	60%	30%	\$740
3 1 Bedroom	50%	47%	\$1,154
6 2 Bedrooms	50%	44%	\$1,298
13 2 Bedrooms	60%	44%	\$1,298
4 3 Bedrooms	50%	42%	\$1,441
7 3 Bedrooms	60%	42%	\$1,441
2 1 Bedroom	60%	56%	\$1,384
11 2 Bedrooms	60%	53%	\$1,556
10 3 Bedrooms	60%	51%	\$1,730
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$162,424,680

Project Cost Summary at Application

Land and Acquisition	\$15,000
Construction Costs	\$56,881,156
Rehabilitation Costs	\$0
Construction Contingency	\$5,688,116
Relocation	\$0
Architectural/Engineering	\$2,692,756
Const. Interest, Perm. Financing	\$6,674,779
Legal Fees, Appraisals	\$45,000
Reserves	\$693,080
Other Costs	\$2,161,693
Developer Fee	\$3,500,000
Commercial Costs	\$0
Total	\$78,351,580

Project Financing

Estimated Total Project Cost:	\$78,351,580
Estimated Residential Project Cost:	\$78,351,580
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$492
Per Unit Cost:	\$658,417
True Cash Per Unit Cost*:	\$649,173

Construction Financing

Source	Amount
Silicon Valley Bank - T.E. Bonds	\$51,000,000
City of San Francisco - OCII ¹	\$20,093,600
Accrued Interest - OCII ¹	\$927,977
Deferred Costs	\$1,351,461
Deferred Developer Fee	\$1,100,000
Tax Credit Equity	\$3,878,542

Permanent Financing

Source	Amount
CCRC - T.E. Bonds	\$13,666,400
City of San Francisco - OCII ¹	\$20,093,600
Accrued Interest - OCII ¹	\$927,977
HCD - VHHP	\$10,000,000
AHP	\$2,000,000
GP Equity	\$1,000,000
Deferred Developer Fee	\$1,100,000
Tax Credit Equity	\$29,563,603
TOTAL	\$78,351,580

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

¹OCII: Office of Investment and Infrastructure

Determination of Credit Amount(s)

Requested Eligible Basis:	\$73,952,297
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$96,137,986
Applicable Rate:	3.25%
Total Maximum Annual Federal Credit:	\$3,124,485
Approved Developer Fee (in Project Cost & Eligible Basis):	\$3,500,000
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.94619

Per Regulation Section 10327(c)(6), 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:	\$73,952,297
Actual Eligible Basis:	\$73,952,297
Unadjusted Threshold Basis Limit:	\$52,195,130
Total Adjusted Threshold Basis Limit:	\$76,204,890

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
- 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: 16%

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 has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

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
\$3,124,485	\$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: None.