

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2009 Cash in Lieu of Credits - Gap Financing/ TCAP Funds
August 26, 2009

Project Number CA-2009-570

Project Name 2235 Third Street
Address: 2235 Third Street
San Francisco, CA 94107 County: San Francisco

Applicant Information

Applicant: Martin McNerney Properties, LLC
Sponsor: Patrick M. McNerney
Address: 54 Mint Street, Fifth Floor
San Francisco, CA 94103
Phone: (415) 348-4600 **Fax:** (415) 348-8058

General Partner Type: Joint Venture
The general partner(s) or principal owner(s) are Martin McNerney Properties, LLC, and the Urban Preservation Foundation

Project Information

Construction Type: New Construction
Federal Subsidy: Tax-Exempt/100% of the units receiving rental assistance.
HCD MHP Funding: No
Total # of Units: 36
Total # Residential Buildings: 3

Information

Housing Type: Non-targeted
Proposed Average Affordability: 40.00

Davis-Bacon Required: Yes

NEPA Required: Yes

State Prevailing Wages Required: No

2009 TCAC Project Number: CA-2009-835

2009 Federal Tax Credits Requested: **Federal Credit**
\$487,431

2009 Federal Tax Credits Expected to be Retained: \$487,431

Amount of Gap Financing Requested: **Federal Credit**
12 Cents

Current Net Equity Factor: **.70**

Federal Calculation

Amount of Net Equity Factor Requested: $(\$487,431 \times 10 \times .12) = \$584,917$

Amount of Gap Financing Recommended: **\$584,917**

ARRA Scoring Criteria	Max. Possible Points	Points Awarded
<i>DDA Bonus Points</i>	25	0
<i>Housing Type Points (Maximum of 50 points)</i>		
<input checked="" type="checkbox"/> Non-targeted Project	0	0
<i>Total Project Cost/Cash Request Points (Maximum of 100 points)</i>		
<input checked="" type="checkbox"/> Other Project		
Total Project Cost: \$14,958,777		
Cash Award Request: \$584,917		
Total Points Awarded: $100 - (\$584,917 / \$14,958,777 \times 100) = 96.0898$	100	96.0898
<i>Total Average Affordability Points (Maximum of 100 points)</i>		
Projects Original Proposed Average Affordability: 40%		
60% - Average Affordability X 5 Points = $(60\% - 40\%) \times 5 = 100.00$	100	100.00
Total Points	275	196.0898

Approved 2009 TCAC Proposed Rent and Income Levels

<u>Unit Type & Number</u>	<u>% of Area Median Income</u>	<u>Proposed Rent</u> (including utilities)
10 SRO/Studio	50%	\$905
14 One-Bedroom	50%	\$1,048
10 Two-Bedroom	50%	\$1,189
2 Three-Bedroom	50%	\$1,302

Project Financing

Estimated Total Project Cost: \$14,958,777 Per Unit Cost: \$415,522

CBRE – Tax Exempt Bonds	\$7,485,000	CBRE – Tax Exempt Bonds	\$7,485,000
HCD – Urban Infill Grant	\$2,142,094	HCD – Urban Infill Grant	\$2,142,094
Center for Creative Land Recycling	\$429,748	Center for Creative Land Recycling	\$429,748
Deferred Developer Fee	\$1,255,950	Deferred Developer Fee	\$905,000
TCAC ARRA Funds	\$233,967	TCAC ARRA Funds	\$584,917
Investor Equity	\$3,142,094	Investor Equity	\$3,412,018
		TOTAL	\$14,958,777

Income and Expense Statement for Year 1

Gross Residential Rents:	\$399,624
Subsidy Income:	\$290,000
Miscellaneous Income:	\$244,577
Vacancy Rate: 5%	(\$46,710)
Total Effective Gross Income:	\$887,491
Less Total Expenses/Reserves:	\$315,043

Net Operation Income:	\$572,448
Debt Service:	\$509,944
Net Cash Flow	\$62,504
Debt Service Ratio:	1.12 to 1

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 analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitations.

Special Conditions

"Actual award of the ARRA funds is contingent upon the applicant receiving an allocation of federal 4% tax credits from the California Tax Credit Allocation Committee. If the project does not receive an allocation of federal tax credits prior to September 30, 2009, the project will be ineligible for an ARRA award."

Standard Conditions

The Committee may make a Conditional Reservation of American Recovery and Reinvestment Act of 2009 (ARRA), Tax Credit Assistance Program (TCAP) funds for the project sponsor. This Conditional Reservation would not constitute a commitment of funds or site approval, and that such commitment of funds or approval may occur only upon satisfactory completion of environmental review and receipt by the California Tax Credit Allocation Committee of a release of funds from the U.S. Department of Housing and Urban Development under 24 CFR Part §58. The provision of any funds to the project is conditioned on TCAC's determination to proceed with, modify or cancel the project based on the results of a subsequent environmental review and further underwriting.

The project sponsor is prohibited from undertaking or committing any funds to physical or choice-limiting actions, including property acquisition, demolition, movement, rehabilitation, conversion, repair or construction prior to the environmental clearance. A violation of this provision may result in the denial of any funds.

In addition, each project ultimately awarded ARRA TCAP funds will have to comply with all federal requirements, such as Section 504, Davis-Bacon federal labor standards laws, anti-lobbying requirements, lead-based paint rules, and other federal laws.

All ARRA funded projects will be required to track and report on all jobs created or retained as a result of the funds.

Numbers contained in the proposed financing are subject to update and will be refined within 30 days of loan execution agreement.