

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
2009 Single Round
September 10, 2009**

Project Number CA-2009-210

Project Name Parcel G

Site Address: 365 Fulton Street
San Francisco, CA 94102

County: San Francisco

Census Tract: 162.00

Applicant Information

Applicant: 365 Fulton, L.P., a California Limited Partnership

Contact: David Schnur

Address: 280 Turk Street
San Francisco, CA 94102

Phone: (415) 929-2470 x303

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Email: dschnur@chp-sf.org

General Partners Type: Nonprofit

Information

Set-Aside: N/A

Housing Type: SRO

Geographic Area: San Francisco County

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,273,113	\$7,577,042
Recommended:	\$2,273,113	\$7,577,042

Project Information

Construction Type: New Construction

Federal Subsidy: None

Total # of Units: 120

Total # Residential Buildings: 1

Federal Set-Aside Elected: 40%/60%

% & No. of Tax Credit Units: 100% - 120 units

Average Affordability of SRO Project: 40%

Eligible Basis

Requested: \$25,256,809

Actual: \$32,578,328

Maximum Permitted: \$30,688,008

Adjustments to Threshold Basis Limit:

Required to Pay Prevailing Wages

95% of Upper Floor Units are Elevator-Serviced

Selection Criteria	Max. Possible Points	Requested Points	Points Awarded
<i>Cost Efficiency/Credit Reduction/Public Funds</i> Maximum 20 points	20	20	20
<input checked="" type="checkbox"/> Public Funds	20	20	20
<i>Owner / Management Characteristics</i> Maximum 9 points	9	6	6
<input checked="" type="checkbox"/> General Partner Experience	6	4	4
<input checked="" type="checkbox"/> Management Experience	3	2	2
<i>Housing Needs</i> Maximum 10 points	10	10	10
<i>Site Amenities</i> Maximum 15 points	15	15	15
<input checked="" type="checkbox"/> Within ¼ mile of transit stop with service every 30 minutes & 25 units/acre density	7	7	7
<input checked="" type="checkbox"/> Within ½ mile of public park or community center open to general public	2	2	2
<input checked="" type="checkbox"/> Within ½ mile of public library	2	2	2
<input checked="" type="checkbox"/> Within ½ mile of a full-scale grocery store w/ staples and fresh meat and fresh produce	3	3	3
<input type="checkbox"/> Special Needs or SRO project within ½ mile of a facility operated to serve population	3	3	0
<input type="checkbox"/> Within ½ mile of medical clinic or hospital	3	3	0
<input checked="" type="checkbox"/> Within ¼ mile of a pharmacy	2	2	2
<i>Service Amenities</i> Maximum 10 points	10	10	10
<input checked="" type="checkbox"/> Bona fide Service Coordinator/Social Worker	5	5	5
<input checked="" type="checkbox"/> Direct client services available for Senior, SRO, or Special Needs projects	5	5	5
<i>Sustainable Building Methods</i> Maximum 8 points	8	8	8
<input checked="" type="checkbox"/> New construction/adaptive reuse increases energy efficiency 10% above Title 24	4	4	4
<input checked="" type="checkbox"/> Flow restrictors for kitchen & bath faucets or water-saving fixtures	1	1	1
<input checked="" type="checkbox"/> CRI Green-label, low-VOC carpet and pad	1	1	1
<input checked="" type="checkbox"/> Bathroom fans in all bathrooms w/humidistat, timer and outdoor exhaust	2	2	2
<input checked="" type="checkbox"/> Formaldehyde-free insulation	1	1	1
<i>Lowest Income</i> Maximum 52 points	52	52	52
<input checked="" type="checkbox"/> Basic Targeting	50	50	50
<input checked="" type="checkbox"/> Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
<i>Readiness to Proceed</i> Maximum 20 points	20	15	15
<i>State Credit Substitution</i> Maximum 2 points	2	2	2
Total Points	146	138	138

Tie-Breaker Information

First: Housing Type **SRO**
Second: Calculated Ratio per Regulation 10325(c)(10) **32.232%**

Unit Type & Number	2009 Rents % of Area Median Income (rounded)	Proposed Rent (including utilities)
30 Studio Units	20%	\$386
12 Studio Units	15%	\$282
18 Studio Units	20%	\$386
60 Studio Units	20%	\$386

* 24-hour on-site desk clerks to maintain management

The general partners or principal owners are CHP Fulton Street, LLC and Mercy Housing Calwest.

The project developer is Community Housing Partnership.

The management agent is Community Housing Partnership.

The market analyst is Newport Realty Advisors.

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.

Project Financing

Estimated Total Project Cost: \$44,973,106 Estimated Total Commercial Cost: \$2,080,776
 Estimated Total Residential Cost: \$42,892,330 Per Unit Cost: \$357,436 Construction Cost Per Sq. Foot: \$462

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Citibank	\$31,538,800	SFRA	\$1,000,422
SFRA	\$2,753,291	CA Dept. of Mental Health – MHSA	\$1,200,000
CA Dept. of Mental Health – MHSA	\$1,200,000	HCD – MHP	\$10,000,000
Enterprise Grant	\$5,000	AHP	\$1,200,000
Donated/Leased Land Value	\$7,500,000	Enterprise Grant	\$5,000
Deferred Developer Fee	\$200,000	Donated/Leased Land Value	\$7,500,000
Investor Equity	\$733,448	Deferred Developer Fee	\$200,000
		Investor Equity	\$23,867,684
		TOTAL	\$44,973,106

Determination of Credit Amount(s)

Requested Eligible Basis:	\$25,256,809
130% High Cost Adjustment:	No
Applicable Fraction:	100%
Qualified Basis:	\$25,256,809
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,273,113
Total State Credit:	\$7,577,042
Approved Developer Fee (in Residential Cost & Eligible Basis):	\$1,329,217
Approved Developer Fee (in Commercial Cost):	\$70,783
Investor Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.85000
State Tax Credit Factor:	\$0.60000

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 9.00% of the qualified basis. TCAC's financial evaluation at project completion will determine the final allocation.

Special Issues/Other Significant Information: The project has an operating subsidy (Local Operating Subsidy Program – LOSP) on 108 units from the city of San Francisco and an operating subsidy on 12 units from the California Department of Mental Health, Mental Health Services Act/Assistance.

The project is targeted toward chronically homeless individuals, many with mental or physical disabilities.

Based on the project size staff recommends the developer adds an on-site manager's unit in addition to the 24-hour on-site desk clerks.

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.

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
\$2,273,113	\$7,577,042

Standard Conditions

An application for a carryover allocation must be submitted by **November 20, 2009**, as required by regulation sections 10328(d) and 10323(d)(2), together with the applicable allocation fee and all required documentation. The time for meeting the "10%" test and submitting related documentation will be no later than twelve (12) months after the date of the executed carryover allocation (as defined by IRC Section 42 and IRS Notices). The applicant must ensure the project meets all Additional Threshold Requirements for the housing type of the proposed project.

The applicant must submit all documentation required for a Final Reservation no later than February 1 of the year that the building(s) must be placed in service pursuant to Section 42(h)(1)(E)(i) of the Internal Revenue Code of 1986, as amended. The applicant shall provide the Committee a Final Reservation application providing the documentation for the project set forth in Section 10322(i)(1) of these regulations. 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. The performance deposit and allocation fees must be paid by cashier's check within the time periods specified in the preliminary reservation. The allocation fee must be paid within a time period specified in the preliminary reservation letter. The allocation fee will be due prior to execution of a carryover allocation or issuance of tax forms, whichever comes first. 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.

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 ten 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)(P) at project completion.

Additional Conditions

Applicants that received 20 points for readiness to proceed must meet ALL of the following requirements. The applicant must be ready to begin construction within 150 days of the Credit Reservation which is **February 8, 2010**, as evidenced by submission, within that time of, recorded deeds of trust for all construction financing, payment of all construction lender fees, issuance of building permits and notice to proceed delivered to the contractor. Failure to meet this timeline will result in rescission of the Credit Reservation.

Project Analyst: Anthony Zeto