

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2011 Second Round

September 28, 2011

Project Number CA-2011-153

Project Name 1075 Le Conte Affordable Housing
Site Address: 1075 Le Conte Avenue (formerly 6600 Third Street)
San Francisco, CA 94124 County: San Francisco
Census Tract: 233.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,407,162	\$0
Recommended:	\$1,407,162	\$0

Applicant Information

Applicant: Third and Le Conte Associates, L.P.
Contact: Valerie Agostino
Address: 1360 Mission Street, Suite 300
San Francisco, CA 94103
Phone: 415-355-7165 **Fax:** 415-355-7101
Email: Val@mercyhousing.org

General partner(s) or principal owner(s): Mercy Housing Calwest
Providence Foundation of San Francisco
General Partner Type: Nonprofit
Developer: Mercy Housing California
Investor/Consultant: California Housing Partnership Corporation
Management Agent: Mercy Housing Management Group

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 73
No. & % of Tax Credit Units: 72 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: N/A
Average Targeted Affordability of Special Needs/SRO Project Units: 40.00%
Affordability Breakdown by Units and % (Lowest Income Points):
30% AMI: 9 10 %
35% AMI: 14 15 %
40% AMI: 33 45 %
50% AMI: 16 20 %

Information

Set-Aside: Nonprofit Homeless Assistance
 Housing Type: Special Needs
 Type of Special Needs: Homeless
 % of Special Need Units: 72 units 100%
 Geographic Area: San Francisco County
 TCAC Project Analyst: Gina Ferguson

Unit Mix

27 SRO/Studio Units
 12 1-Bedroom Units
 26 2-Bedroom Units
 8 3-Bedroom Units

 73 Total Units

<u>Unit Type & Number</u>	<u>2011 Rents Targeted % of Area Median Income</u>	<u>2011 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
3 SRO/Studio	30%	16%	\$300
5 SRO/Studio	35%	16%	\$300
11 SRO/Studio	40%	16%	\$300
8 SRO/Studio	50%	16%	\$300
2 1 Bedroom	30%	15%	\$300
4 1 Bedroom	35%	15%	\$300
3 1 Bedroom	40%	15%	\$300
3 1 Bedroom	50%	15%	\$300
3 2 Bedrooms	30%	15%	\$350
3 2 Bedrooms	35%	15%	\$350
16 2 Bedrooms	40%	15%	\$350
3 2 Bedrooms	50%	15%	\$350
1 3 Bedrooms	30%	13%	\$350
2 3 Bedrooms	35%	13%	\$350
3 3 Bedrooms	40%	13%	\$350
2 3 Bedrooms	50%	13%	\$350
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$35,379,823

Residential

Construction Cost Per Square Foot: \$256
 Per Unit Cost: \$484,655

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Citibank	\$11,144,558	SFRA	\$17,149,956
San Francisco Redevelopment Agency (SFRA)	\$17,149,956	SFRA Land Contribution	\$3,647,265
SFRA Land Contribution	\$3,647,265	AHP	\$1,000,000
AHP	\$1,000,000	Tax Credit Equity	\$13,582,602
Tax Credit Equity	\$1,371,463	TOTAL	\$35,379,823

Determination of Credit Amount(s)

Requested Eligible Basis:	\$12,027,023
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$15,635,130
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,407,162
Approved Developer Fee in Project Cost:	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.96525

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$12,027,023
Actual Eligible Basis:	\$29,467,896
Unadjusted Threshold Basis Limit:	\$19,365,423
Total Adjusted Threshold Basis Limit:	\$26,711,143

Adjustments to Basis Limit:

- Required to Pay Prevailing Wages
- Parking Beneath Residential Units
- Local Development Impact Fees
- 95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Special Needs
Second:	98.504%

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, or, in the case of acquisition credit or credit combined with federal subsidies, 3.40%. 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:

This project has a commitment from the City of San Francisco Local Operating Subsidy Program (LOSP) for 100% of the units, estimated to be \$577,300 in the first year.

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 Redevelopment Agency of the City and County of San Francisco, 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
\$1,407,162	\$0

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation, any Readiness 180-Day Requirements elected, and a Final Reservation. 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 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) 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 ¼ mile of transit stop, service every 30 min, 25 units/acre density	7	7	7
Within ¼ mile of public park or community center open to general public	3	3	0
Within 1.5 miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Special Needs/SRO project within ½ mile of facility serving tenant pop.	3	3	3
Within 1 mile of medical clinic or hospital	2	2	2
Service Amenities	10	10	10
SPECIAL NEEDS AND SRO HOUSING TYPES			
Case Manager, minimum ratio of 1 FTE to 100 bedrooms	5	5	5
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 360 bdrms	5	5	5
Sustainable Building Methods	10	10	10
NEW CONSTRUCTION/ADAPTIVE REUSE			
Energy efficiency beyond CA Building Code Title 24 requirements: 20%	5	5	5
Develop project to requirements of: GreenPoint Rated Multifamily 125	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed	20	20	20
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	148	148	148

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.