

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2013 First Round

June 12, 2013

REVISED

Project Number CA-13-074

Project Name Edward II Rehab
Site Address: 3155 Scott Street
San Francisco, CA 94123 County: San Francisco
Census Tract: 128.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$735,413	\$0
Recommended:	\$735,413	\$0

Applicant Information

Applicant: Community Housing Partnership
Contact: David Schnur
Address: 20 Jones Street, Suite 200
San Francisco, CA 94102
Phone: (415) 852-5310 Fax: (415) 749-2790
Email: dschnur@chp-sf.org

General partner(s) or principal owner(s): CHP Scott Street LLC
General Partner Type: Nonprofit
Developer: Community Housing Partnership
Investor/Consultant: Enterprise Community
Management Agent(s): Community Housing Partnership

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 1
Total # of Units: 25
No. & % of Tax Credit Units: 24 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: None
Average Targeted Affordability of Special Needs/SRO Project Units: 40.00%
Affordability Breakdown by Units and % (Lowest Income Points):
30% AMI: 12 50 %
50% AMI: 12 40 %

Information

Set-Aside: Nonprofit Homeless Assistance
 Housing Type: Special Needs
 Type of Special Needs: Homeless and Persons with Disabilities
 % of Special Need Units: 24 units 100%
 Geographic Area: San Francisco County
 TCAC Project Analyst: Gina Ferguson

Unit Mix

24 SRO/Studio Units
 1 1-Bedroom Units

 25 Total Units

<u>Unit Type & Number</u>	<u>2013 Rents Targeted % of Area Median Income</u>	<u>2013 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
12 SRO/Studio	30%	14%	\$250
12 SRO/Studio	50%	14%	\$250
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$12,690,790

Residential

Construction Cost Per Square Foot: \$743
 Per Unit Cost: \$507,632

Construction Financing

Permanent Financing

<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
SF Mayor's Office of Housing	\$4,416,508	HCD - MHP	\$3,968,040
Bank of America	\$5,687,014	SF Mayor's Office of Housing	\$400,000
AHP	\$250,000	AHP	\$250,000
Enterprise Community Partners	\$490,445	Community Housing Partnership	\$160,967
		Deferred Developer Fee	\$625,000
		Tax Credit Equity	\$7,286,783
		TOTAL	\$12,690,790

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$5,713,140
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$2,093,002
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$7,427,082
Applicable Rate:	9.00%
Qualified Basis (Acquisition):	\$2,093,002
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$668,437
Maximum Annual Federal Credit, Acquisition:	\$66,976
Total Maximum Annual Federal Credit:	\$735,413
Approved Developer Fee in Project Cost:	\$1,360,967
Approved Developer Fee in Eligible Basis:	\$1,117,696
Investor/Consultant:	Enterprise Community
Federal Tax Credit Factor:	\$0.99084

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:	\$7,806,142
Actual Eligible Basis:	\$10,190,811
Unadjusted Threshold Basis Limit:	\$6,568,477
Total Adjusted Threshold Basis Limit:	\$8,114,633

Adjustments to Basis Limit:

- Required to Pay Prevailing Wages
- 100% of Units for Special Needs Population
- Seismic Upgrading

Tie-Breaker Information

First:	Special Needs
Second:	58.316%

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, 3.20%. 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.

The applicant included a developer fee acquisition basis amount in the sources and uses budget at \$364,906, which is above the TCAC limit of \$121,635. TCAC adjusted the amount down to the limit accordingly.

The developer has provided the following information regarding the relatively high cost for the proposed rehabilitation project. The higher than average cost for this project is attributed to costs associated with upgrades to the major mechanical, electrical, and plumbing systems, installation of a limited use limited access (LULA) elevator, window replacement, ADA upgrading, installation of private bathrooms for each unit, the addition of finished common areas, and security system installation.

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, San Francisco Mayor's Office of Housing, 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
\$735,413	\$0

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation, any Readiness to Proceed 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 ½ mile of public park or community center open to general public	2	2	2
Within ½ mile of public library	2	2	2
Within 1.5 miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Within 1 mile of medical clinic or hospital	2	2	2
Within ¼ mile of a pharmacy	2	2	2
Service Amenities	10	25	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
Adult ed/health & wellness/skill bldg classes, minimum 60 hrs/yr instruction	3	3	3
Sustainable Building Methods	10	10	10
Rehabilitate to improve energy efficiency (change in HERS II rating): 25%	7	7	7
Additional rehab measures: Sustainable Building Mgmt Practices	3	3	3
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	15
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	148	148	143

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.