

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**March 19, 2014**

**Project Number** CA-14-822

**Project Name** Transbay Block 6  
 Site Address: 280 Beale Street  
 San Francisco, CA 94105 County: San Francisco  
 Census Tract: 615.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,036,463	\$0
Recommended:	\$1,036,463	\$0

**Applicant Information**

Applicant: Mercy Housing California 62, L.P.  
 Contact: Sheela Jivan  
 Address: 1360 Mission Street, #300  
 San Francisco, CA 94103  
 Phone: 415.355.7109 Fax: 415.355.7101  
 Email: shejivan@mercyhousing.org

General Partner(s) or Principal Owner(s): Mercy Housing Calwest  
 General Partner Type: Nonprofit  
 Parent Company(ies): Mercy Housing California  
 Developer: Mercy Housing California  
 Investor/Consultant: National Equity Fund, Inc.  
 Management Agent: Mercy Housing Management Group

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 1  
 Total # of Units: 70  
 No. & % of Tax Credit Units: 69 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt  
 HCD MHP Funding: No  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 50% of area median income: 21  
 Number of Units @ or below 60% of area median income: 48

**Bond Information**

Issuer: The City & County of San Francisco  
 Expected Date of Issuance: May 1, 2014  
 Credit Enhancement: N/A

**Information**

Housing Type: Non-Targeted  
 Geographic Area: San Francisco County  
 TCAC Project Analyst: Connie Harina

**Unit Mix**

55 1-Bedroom Units  
 15 2-Bedroom Units  


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 70 Total Units

<b>Unit Type &amp; Number</b>	<b>2014 Rents Targeted % of Area Median Income</b>	<b>2014 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
17 1 Bedroom	50%	49%	\$1,013
38 1 Bedroom	60%	49%	\$1,013
4 2 Bedrooms	50%	46%	\$1,139
10 2 Bedrooms	60%	46%	\$1,139
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Financing**

Estimated Total Project Cost: \$30,907,889  
 Estimated Residential Project Cost: \$28,826,133  
 Estimated Commercial Project Cost \$2,081,756

**Residential**

Construction Cost Per Square Foot: \$345  
 Per Unit Cost: \$411,802

**Construction Financing**

<b>Source</b>	<b>Amount</b>
Silicon Valley Bank	\$15,000,000
San Francisco MOHCD - Loan	\$10,657,836
San Francisco MOHCD - Interest	\$436,734
Land Contribution - Land Lease	\$2,180,000
Costs Deferred Until Perm	\$2,264,538
Tax Credit Equity	\$368,781

**Permanent Financing**

<b>Source</b>	<b>Amount</b>
Silicon Valley Bank	\$1,474,098
San Francisco MOHCD - Loan	\$14,657,836
San Francisco MOHCD - Interest	\$436,734
Land Contribution - Land Lease	\$2,180,000
General Partner Contribution	\$500,000
Tax Credit Equity	\$11,659,221
<b>TOTAL</b>	<b>\$30,907,889</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$24,914,964
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$32,389,453
Applicable Rate:	3.20%
Maximum Annual Federal Credit:	\$1,036,463
Approved Developer Fee in Project Cost:	\$2,500,000
Approved Developer Fee in Eligible Basis:	\$2,402,864
Investor/Consultant:	National Equity Fund, Inc.
Federal Tax Credit Factor:	\$1.12490

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:	\$24,914,964
Actual Eligible Basis:	\$24,914,964
Unadjusted Threshold Basis Limit:	\$25,352,970
Total Adjusted Threshold Basis Limit:	\$40,795,181

**Adjustments to Basis Limit:**

Required to Pay Prevailing Wages  
 Local Development Impact Fees  
 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: 30%

**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 3.20% 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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$1,036,463</b>	<b>\$0</b>

**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:**

The applicant/owner is required to complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The project commits to becoming certified under the following program:
- The project will be developed beyond the minimum requirements of the green building program by meeting the GreenPoint Rated 125 standard.