

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**October 15, 2014**

**Project Number** CA-14-895

**Project Name** Alice Griffith Phase 1  
 Site Address: 2600 Arelious Walker Drive  
 San Francisco, CA 94121 County: San Francisco  
 Census Tract: 234.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$2,512,709	\$0
Recommended:	\$2,512,709	\$0

**Applicant Information**

Applicant: Alice Griffith Phase 1, L.P.  
 Contact: Yusef Freeman  
 Address: 720 Olive Street, Suite 2500  
 St Louis, MO 63101  
 Phone: (415) 935-0182 Fax: (314) 335-2861  
 Email: yusef.freeman@mcormackbaron.com

General Partner(s) or Principal Owner(s): Alice Griffith Phase 1 MBS GP, Inc.  
 San Francisco Housing Development Corporation  
 General Partner Type: Joint Venture  
 Parent Company(ies): MBA Properties, Inc.  
 San Francisco Housing Development Corporation  
 Developer: Double Rock Ventures, LLC  
 Investor/Consultant: Wells Fargo  
 Management Agent: McCormack Baron Ragan

**Project Information**

Construction Type: New Construction / Reconstruction  
 Total # Residential Buildings: 1  
 Total # of Units: 93  
 No. & % of Tax Credit Units: 89 96.74%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HUD Choice Neighborhoods Implementation (CNI) /  
 HUD Project-based RAD Contract (58 units - 62%)  
 HCD MHP Funding: No  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 50% of area median income: 89

**Bond Information**

Issuer: City & County of San Francisco  
 Expected Date of Issuance: December 29, 2014  
 Credit Enhancement: N/A

**Information**

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

**Unit Mix**

23 1-Bedroom Units  
 51 2-Bedroom Units  
 7 3-Bedroom Units  
 12 4-Bedroom Units  


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 93 Total Units

<u>Unit Type &amp; Number</u>	<u>2014 Rents Targeted % of Area Median Income</u>	<u>2014 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
11 1 Bedroom	50%	41%	\$858
10 1 Bedroom	50%	47%	\$971
29 2 Bedrooms	50%	43%	\$1,077
21 2 Bedrooms	50%	44%	\$1,093
4 3 Bedrooms	50%	50%	\$1,440
3 3 Bedrooms	50%	42%	\$1,214
11 4 Bedrooms	50%	48%	\$1,546
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0
1 1 Bedroom	Market Rate Unit	Market Rate Unit	\$798
1 2 Bedrooms	Market Rate Unit	Market Rate Unit	\$998
1 4 Bedrooms	Market Rate Unit	Market Rate Unit	\$1,408

**Project Financing**

Estimated Total Project Cost:	\$66,331,185
Estimated Residential Project Cost:	\$66,331,185

**Residential**

Construction Cost Per Square Foot:	\$352
Per Unit Cost:	\$659,476*

**Construction Financing**

Source	Amount
Citibank	\$32,500,000
City of S.F. OCII <sup>1</sup>	\$10,453,985
S.F. Mayor's Office of Housing - CNI <sup>2</sup>	\$8,700,000
S.F. Housing Authority - Lease Value	\$3,800,000
Lennar - Loan	\$5,000,000
General Partner Equity	\$500,000
Tax Credit Equity	\$5,377,200

**Permanent Financing**

Source	Amount
City of S.F. OCII <sup>1</sup>	\$21,445,185
S.F. Mayor's Office of Housing - CNI <sup>2</sup>	\$8,700,000
S.F. Housing Authority - Lease Value	\$3,800,000
Lennar - Loan	\$5,000,000
General Partner Equity	\$500,000
Tax Credit Equity	\$26,886,000
<b>TOTAL</b>	<b>\$66,331,185</b>

<sup>1</sup>OCII: Office of Community Investment and Infrastructure

<sup>2</sup>CNI: Choice Neighborhoods Implementation

\*See "Special Issues/Other Significant Information" section on Page 4.

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$59,532,140
130% High Cost Adjustment:	Yes
Applicable Fraction:	96.64%
Qualified Basis:	\$74,790,523
Applicable Rate:	3.36%
Maximum Annual Federal Credit:	\$2,512,962
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	Wells Fargo
Federal Tax Credit Factor:	\$1.07000

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:	\$59,532,140
Actual Eligible Basis:	\$59,532,140
Unadjusted Threshold Basis Limit:	\$40,993,674
Total Adjusted Threshold Basis Limit	\$89,251,669

**Adjustments to Basis Limit:**

Required to Pay Prevailing Wages  
 55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted  
 between 50% AMI & 36% AMI: 100%

**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 3.36% 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:**

Alice Griffith Phase I is the first of six phases to redevelop the Alice Griffith public housing complex. Phase 1 involves the redevelopment of 58 existing public housing units and 34 new low income units. There are 3 market rate units in this phase for over income residents that are being relocated from the existing Alice Griffith Public Housing site and will be covered under the Rental Assistance Demonstration (RAD) program.

The per unit cost of \$713,239 represents the development, which includes public infrastructure costs totaling \$53,763 per unit. Without consideration of these infrastructure costs, the per unit cost for the residential project is \$659,476. In order to build new housing on the site, all of the site infrastructure must be replaced. The infrastructure scope includes new sewer and water lines, streets, sidewalks, and lighting.

**Local Reviewing Agency:**

The Local Reviewing Agency, Office of Community Investment and Infrastructure, Successor Agency to 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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$2,512,709</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 will be developed beyond the minimum requirements of the green building program by meeting the LEED for Homes GOLD standard.