

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
March 18, 2015

Project Number CA-15-812

Project Name Betel Apartments
 Site Address: 1227 Hampshire Street
 San Francisco, CA 94110 County: San Francisco
 Census Tract: 229.030

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$757,888	\$0
Recommended:	\$757,888	\$0

Applicant Information

Applicant: MHDC Betel, L.P.
 Contact: Justin Solomon
 Address: 548 Market Street, #99800
 San Francisco, CA 94105
 Phone: (415) 202-0732 Fax: (415) 864-0378
 Email: jsolomon@impactdevgroup.com

General Partner(s) or Principal Owner(s): MHDC CA MGP III, LLC
 IDG Betel, LLC
 General Partner Type: Joint Venture
 Parent Company(ies): Mission Housing Development Corporation
 Impact Development Group, LLC
 Developer: Impact Development Group, LLC
 Investor/Consultant: City Real Estate Advisors
 Management Agent: Caritas Management Corporation

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 5
 Total # of Units: 50
 No. & % of Tax Credit Units: 35 71.43%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Project-based Section 8 Contract (35 units - 70%)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 7
 Number of Units @ or below 60% of area median income: 28

Bond Information

Issuer: CalHFA
 Expected Date of Issuance: January 16, 2015
 Credit Enhancement: N/A

Information

Housing Type: Large Family
 Geographic Area: San Francisco County
 TCAC Project Analyst: Connie Harina

Unit Mix

25 2-Bedroom Units
 21 3-Bedroom Units
 4 4-Bedroom Units

 50 Total Units

Unit Type & Number	2014 Rents Targeted % of Area Median Income	2014 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
4 2 Bedrooms	50%	50%	\$1,246
2 3 Bedrooms	50%	50%	\$1,439
1 4 Bedrooms	50%	50%	\$1,606
16 2 Bedrooms	60%	60%	\$1,495
11 3 Bedrooms	60%	60%	\$1,727
1 4 Bedrooms	60%	60%	\$1,927
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$1,192
5 2 Bedrooms	Market Rate Unit	Market Rate Unit	\$1,093
1 3 Bedrooms	Market Rate Unit	Market Rate Unit	\$1,062
6 3 Bedrooms	Market Rate Unit	Market Rate Unit	\$1,261
2 4 Bedrooms	Market Rate Unit	Market Rate Unit	\$1,414

Project Financing

Estimated Total Project Cost: \$35,368,442
 Estimated Residential Project Cost: \$35,368,442

Residential

Construction Cost Per Square Foot: \$129
 Per Unit Cost: \$707,369

Construction Financing

Source	Amount
Citibank	\$17,887,802
MHDC Seller Carryback	\$16,505,520
Replacement Reserves from Seller	\$600,000
Net Operating Income	\$375,000
General Partner Equity	\$100

Permanent Financing

Source	Amount
Citibank	\$9,930,000
MHDC Seller Carryback	\$16,505,520
Replacement Reserves from Seller	\$600,000
Net Operating Income	\$375,000
General Partner Equity	\$100
Tax Credit Equity	\$7,957,822
TOTAL	\$35,368,442

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$10,924,527
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$17,376,773
Applicable Fraction:	71.43%
Qualified Basis (Rehabilitation):	\$10,144,204
Qualified Basis (Acquisition):	\$12,411,981
Applicable Rate:	3.36%
Maximum Annual Federal Credit, Rehabilitation:	\$340,845
Maximum Annual Federal Credit, Acquisition:	\$417,043
Total Maximum Annual Federal Credit:	\$757,888
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	City Real Estate Advisors
Federal Tax Credit Factor:	\$1.05000

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:	\$28,301,300
Actual Eligible Basis:	\$28,301,300
Unadjusted Threshold Basis Limit:	\$24,553,816
Total Adjusted Threshold Basis Limit:	\$28,350,047

Adjustments to Basis Limit:

Seismic Upgrading

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 14%

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:

Staff noted a per unit development cost of \$707,369, which is relatively higher than the average in the geographic area. The high cost is attributable to the high cost of the land and existing improvements.

A waiver has been granted for the minimum construction standard requirement for floor coverings (TCAC Regulation Section 10325(f)(7)(G)). The applicant has requested and been granted a substitution to use luxury vinyl tile as a floor covering.

Local Reviewing Agency:

The Local Reviewing Agency, The San Francisco Mayor's Office of Housing, has completed a site review of this project and has taken no position on 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
\$757,888	\$0

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 improve energy efficiency above the modeled energy consumption of the building(s) by a 20% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERSII) post rehabilitation.