

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

August 19, 2015

227 Bay Street, located at 227 Bay Street in San Francisco, CA, requested and is being recommended for a reservation of \$880,006 in annual federal tax credits to finance the acquisition and rehabilitation of 49 units of housing serving tenants with rents affordable to households earning 50% of area median income (AMI). The project will be developed by Chinatown Community Development Center and will be located in Senate District 11 and Assembly District 17.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers and HUD (RAD) Project-based Vouchers.

Project Number CA-15-873

Project Name 227 Bay Street
Site Address: 227 Bay Street
San Francisco, CA 94133 County: San Francisco
Census Tract: 101.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$880,006	\$0
Recommended:	\$880,006	\$0

Applicant Information

Applicant: Bay Street, L.P.
Contact: Whitney Jones, Director of Housing Development
Address: 1525 Grant Avenue
San Francisco, CA 94133
Phone: 415-929-0757 Fax: 415-362-7992
Email: wjones@chinatowncdc.org

General Partner(s) or Principal Owner(s): Chinatown Public Housing LLC
General Partner Type: Nonprofit
Parent Company(ies): Chinatown Community Development Center
Developer: Chinatown Community Development Center
Investor/Consultant: Bank of America Merrill Lynch
Management Agent: Chinatown Community Development Center

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 1
 Total # of Units: 50
 No. & % of Tax Credit Units: 49 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax Exempt/HUD Section 8 Project-Based Vouchers (28 Units - 57%)/
 HUD (RAD) Project-Based Vouchers (21 Units - 43%)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 49

Bond Information

Issuer: San Francisco Mayor's Office of Housing & Community Development
 Expected Date of Issuance: November 1, 2015
 Credit Enhancement: No

Information

Housing Type: Non-Targeted
 Geographic Area: San Francisco County
 TCAC Project Analyst: DC Navarrette

Unit Mix

48 SRO/Studio Units
 2 1-Bedroom Units

 50 Total Units

<u>Unit Type & Number</u>	<u>2015 Rents Targeted % of Area Median Income</u>	<u>2015 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
27 SRO/Studio	50%	41%	\$850
1 1 Bedroom	50%	44%	\$972
21 SRO/Studio	50%	41%	\$850
1 1 Bedroom	Manager's Unit	Manager's Unit	\$1,165

Project Cost Summary at Application

Land and Acquisition	\$8,786,500
Construction Costs	\$0
Rehabilitation Costs	\$7,682,032
Construction Contingency	\$1,536,406
Relocation	\$904,601
Architectural/Engineering	\$679,337
Construction Interest, Perm Financing	\$1,457,595
Legal Fees, Appraisals	\$116,500
Reserves	\$549,652
Other Costs	\$568,214
Developer Fee	\$2,500,000
Commercial Costs	\$0
Total	\$24,780,837

Project Financing

Estimated Total Project Cost:	\$24,780,837
Estimated Residential Project Cost:	\$24,780,837

Residential

Construction Cost Per Square Foot:	\$193
Per Unit Cost:	\$495,617

Construction Financing

Source	Amount
Bank of America	\$14,297,000
SF MOHCD Predev/Perm Loan	\$947,117
Seller Carryback Note*	\$7,181,790
Accrued/Deferred Interest*	\$359,090
Costs Deferred Until Conversion	\$1,022,232
Tax Credit Equity	\$973,607

Permanent Financing

Source	Amount
Bank of America	\$1,249,000
SF MOHCD Predev/Perm Loan	\$947,117
SF MOH Gap Loan	\$3,107,765
SFHA Permanent Loan	\$800,000
Seller Carryback Note*	\$7,181,790
Accrued/Deferred Interest*	\$359,090
General Partner Capital Contribution	\$500,000
Tax Credit Equity	\$10,636,075
TOTAL	\$24,780,837

*Seller carryback note and accrued deferred interest are held by San Francisco Housing Authority

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$13,237,212
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$9,458,475
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$17,208,376
Qualified Basis (Acquisition):	\$9,458,475
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$567,876
Maximum Annual Federal Credit, Acquisition:	\$312,130
Total Maximum Annual Federal Credit:	\$880,006
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	Bank of America Merrill Lynch
Federal Tax Credit Factor:	\$1.20864

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:	\$22,695,687
Actual Eligible Basis:	\$22,695,687
Unadjusted Threshold Basis Limit:	\$15,596,514
Total Adjusted Threshold Basis Limit:	\$32,752,679

Adjustments to Basis Limit:

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: 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 3.30% 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: The proposed rent does not include any utility allowance. The owner will pay for all utilities.

The applicant requested and has been granted a waiver to substitute vinyl-quartz tile, non-vinyl plank resilient flooring, rubber sheet, epoxy, and tile stone for the minimum construction standard of flooring coverings under TCAC Regulation Section 10325(f)(7)(G).

Local Reviewing Agency:

The Local Reviewing Agency, the San Francisco Mayor's Office of Housing & Community Development, 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
\$880,006	\$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: None.