

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**August 19, 2015**

430 Turk Street Apartments, located at 430 Turk Street in San Francisco, requested and is being recommended for a reservation of \$1,329,931 in annual federal tax credits to finance the acquisition and rehabilitation of 89 units of housing serving tenants with rents affordable to households earning 50% of area median income (AMI). The project will be developed by Tenderloin Neighborhood Development Corporation 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 Contract.

**Project Number** CA-15-880

**Project Name** 430 Turk Street  
 Site Address: 430 Turk Street  
 San Francisco, CA 94102 County: San Francisco  
 Census Tract: 124.010

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,329,931	\$0
Recommended:	\$1,329,931	\$0

**Applicant Information**

Applicant: 430 Turk Associates, L.P.  
 Contact: Donald S. Falk  
 Address: 215 Taylor Street  
 San Francisco, CA 94102  
 Phone: (415) 358 3923 Fax: (415) 776 3952  
 Email: dfalk@tndc.org

General Partner(s) or Principal Owner(s): 430 Turk GP LLC  
 General Partner Type: Nonprofit  
 Parent Company(ies): Tenderloin Neighborhood Development Corporation  
 Developer: Tenderloin Neighborhood Development Corporation  
 Investor/Consultant: California Housing Partnership Corporation  
 Management Agent: Tenderloin Neighborhood Development Corporation

**Project Information**

Construction Type: Acquisition & Rehabilitation  
 Total # Residential Buildings: 1  
 Total # of Units: 89  
 No. & % of Tax Credit Units: 89 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (45 units / 51%) / HUD (RAD) Project-based Contract (44 units / 49%)  
 HCD MHP Funding: No  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 50% of area median income: 89

**Bond Information**

Issuer: San Francisco Mayor's Office of Housing & Community Development  
 Expected Date of Issuance: October 1, 2015  
 Credit Enhancement: N/A

**Information**

Housing Type: Non-Targeted  
 Geographic Area: San Francisco County  
 TCAC Project Analyst: Jack Waegell

**Unit Mix**

69 SRO/Studio Units  
 19 1-Bedroom Units  
 1 2-Bedroom Units  


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 89 Total Units

<u>Unit Type &amp; 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>
44 SRO/Studio	50%	41%	\$850
25 SRO/Studio	50%	41%	\$850
19 1 Bedroom	50%	44%	\$972
1 2 Bedrooms	50%	41%	\$1,093

**Project Cost Summary at Application**

Land and Acquisition	\$15,890,625
Rehabilitation Costs	\$11,213,972
Construction Contingency	\$2,242,794
Relocation	\$838,280
Architectural/Engineering	\$1,411,572
Construction Interest, Perm Financing	\$1,641,404
Legal Fees, Appraisals	\$103,700
Reserves	\$1,517,760
Other Costs	\$822,902
Developer Fee	\$2,500,000
Commercial Costs	\$0
<b>Total</b>	<b>\$38,183,009</b>

**Project Financing**

Estimated Total Project Cost:	\$38,183,009
Estimated Residential Project Cost:	\$38,183,009

**Residential**

Construction Cost Per Square Foot:	\$155
Per Unit Cost:	\$429,023

**Construction Financing**

Source	Amount
Bank of America	\$21,770,000
SF MOHCD Predev/Perm Loan	\$1,344,599
Seller Carryback Note*	\$12,247,537
Accrued/deferred Interest*	\$510,314
Costs Deferred Until Conversion	\$1,599,301
Tax Credit Equity	\$711,258

**Permanent Financing**

Source	Amount
Bank of America	\$2,874,000
SF MOHCD Predev/Perm Loan	\$1,344,599
SF MOHCD Gap Loan	\$2,481,395
SFHA Permanent Loan	\$2,100,000
Seller Carryback Note*	\$12,247,537
Accrued/deferred Interest*	\$510,314
General Partner Capital Contribution	\$500,000
Tax Credit Equity	\$16,125,164
<b>TOTAL</b>	<b>\$38,183,009</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$18,157,759
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$16,695,867
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$23,605,087
Qualified Basis (Acquisition):	\$16,695,867
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$778,967
Maximum Annual Federal Credit, Acquisition:	\$550,964
Total Maximum Annual Federal Credit:	\$1,329,931
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$1.21248

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:	\$34,853,626
Actual Eligible Basis:	\$34,853,626
Unadjusted Threshold Basis Limit:	\$28,615,312
Total Adjusted Threshold Basis Limit:	\$57,230,624

**Adjustments to Basis Limit:**

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 was granted a waiver to the manager unit requirement of TCAC Regulation Section 10325(f)(7)(J) under the following conditions: (1) the property management staff is employed full-time at the property, (2) coverage by on-site 24-hour desk or security staff capable of responding to emergencies, and (3) all staff or contractors performing this task shall be knowledgeable of how the property's fire system operates and be trained in, and participated in, fire evacuation drills for tenants. TCAC reserves the right to revoke this waiver if, in its sole discretion, it determines as part of any on-site inspection that the project has not been adequately operated and/or maintained.

The applicant has requested and has been granted a waiver to allow the December 2012 ESCO work that was completed at the project, by the Housing Authority of the City and County of San Francisco, and its corresponding energy efficiency improvements be included towards meeting the 10% post-rehabilitation improvement over existing conditions requirement under TCAC Regulation Section 10325(f)(7)(A).

The applicant has requested and been granted a waiver to reduce the 10% mobility feature requirement under TCAC Regulation Section 10325(f)(7)(K) down to 5%.

The applicant has requested and been granted a waiver to substitute in vinyl quartz tile (VQT) flooring for the minimum construction standard of floor coverings under TCAC Regulation Section 10325(f)(7)(G).

**Local Reviewing Agency:**

The Local Reviewing Agency, 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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$1,329,931</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:** None.