

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2015 Second Round

September 23, 2015

REVISED

Alice Griffith Phase 3B, located at 2500 Arelious Walker Drive in San Francisco, CA, requested and is being recommended for a reservation of \$2,499,732 in annual federal tax credits to finance the new construction of 39 units of housing serving large families with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by McCormack Baron Salazar, Inc. 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-15-086

Project Name Alice Griffith Phase 3B
Site Address: 2500 Arelious Walker Drive
San Francisco, CA 94121 County: San Francisco
Census Tract: 234.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,499,732	\$0
Recommended:	\$2,499,732	\$0

Applicant Information

Applicant: Alice Griffith Phase 3B, L.P.
Contact: Yusef Freeman
Address: 720 Olive Street, Suite 2500
St. Louis, MO 63101
Phone: 415 935 0182
Email: Yusef.Freeman@mccormackbaron.com

General Partner(s) / Principal Owner(s): Alice Griffith Phase 3B MBS GP, Inc.
San Francisco Housing Development Corporation

General Partner Type: Joint Venture

Parent Company(ies): MBS Properties, Inc.
San Francisco Housing Development Corporation

Developer: McCormack Baron Salazar, Inc.

Investor/Consultant: RBC Capital Markets

Management Agent(s): McCormack Baron Management, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 40
 No. & % of Tax Credit Units: 39 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HUD RAD Project-based Vouchers (20 units - 50%) /
 HUD Section 8 Project-based Vouchers (10 units - 25%)
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 18 45 %
 50% AMI: 21 40 %

Information

Set-Aside: N/A
 Housing Type: Large Family
 Geographic Area: San Francisco County

Unit Mix

3 1-Bedroom Units
 11 2-Bedroom Units
 26 3-Bedroom Units

 40 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>
2 1 Bedroom	50%	46%	\$1,019
3 2 Bedrooms	30%	26%	\$688
3 2 Bedrooms	30%	26%	\$688
2 2 Bedrooms	50%	43%	\$1,146
3 2 Bedrooms	50%	43%	\$1,146
3 3 Bedrooms	30%	25%	\$764
2 3 Bedrooms	30%	25%	\$764
1 3 Bedrooms	50%	42%	\$1,274
2 3 Bedrooms	50%	42%	\$1,274
2 3 Bedrooms	30%	25%	\$764
5 3 Bedrooms	30%	25%	\$764
4 3 Bedrooms	50%	42%	\$1,274
7 3 Bedrooms	50%	42%	\$1,274
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$5,000,000
Construction Costs	\$22,908,906
Rehabilitation Costs	\$0
Construction Contingency	\$2,274,000
Relocation	\$0
Architectural/Engineering	\$755,157
Construction Interest, Perm Financing	\$1,983,146
Legal Fees, Appraisals	\$485,500
Reserves	\$415,009
Other Costs	\$1,656,169
Developer Fee	\$2,000,000
Commercial Costs	\$0
Total	\$37,477,887

Project Financing

Estimated Total Project Cost:	\$37,477,887
Estimated Residential Project Cost:	\$37,477,887

Residential

Construction Cost Per Square Foot:	\$302
Per Unit Cost:	\$936,947

Construction Financing

Source	Amount
Chase	\$23,459,600
City of SF OCII	\$2,255,887
SFHA Land as Ground Lease	\$2,665,659
Lennar - Loan	\$2,334,341
Tax Credit Equity	\$5,599,400

Permanent Financing

Source	Amount
Chase	\$2,225,000
City of SF OCII	\$2,255,887
SFHA Land as Ground Lease	\$2,665,659
Lennar - Loan	\$2,334,341
Tax Credit Equity	\$27,997,000
TOTAL	\$37,477,887

Determination of Credit Amount(s)

Requested Eligible Basis:	\$25,163,195
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$32,712,153
Applicable Rate:	7.69%
Total Maximum Annual Federal Credit:	\$2,499,732
Approved Developer Fee in Project Cost:	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	RBC Capital Markets
Federal Tax Credit Factor:	\$1.12000

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:	\$25,163,195
Actual Eligible Basis:	\$32,036,195
Unadjusted Threshold Basis Limit:	\$17,846,286
Total Adjusted Threshold Basis Limit:	\$25,163,263

Adjustments to Basis Limit:

Required to Pay Prevailing Wages

Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels

One or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- New construction: project buildings are at least 45% more energy efficient than current CA Code Energy Efficiency Standards as indicated in TCAC Regulations.
- 95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Large Family
Second:	21.985%

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 7.69% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.30%. 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 \$936,947, which is higher than the average for comparable projects in the geographic area. However, staff noted that due to the larger bedroom size of the units, the construction cost per square foot is less than the average for comparable projects in the geographic area. Specifically, this phase of the Alice Griffith project consists of 65% three-bedroom units targeting large families. Staff also noted additional costs for land and off-site improvements as well as costs for concrete podium garage parking, sub-standard soil conditions, and high permit processing/local development impact fees.

A waiver has been granted for the minimum construction standard of floor coverings (TCAC Regulation Section 10325(f)(7)(H)). The applicant has requested and been granted a substitution of vinyl flooring as a floor covering.

Legal Status: Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

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:

Federal Tax Credits/Annual	State Tax Credits/Total
\$2,499,732	\$0

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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 performance deposit and allocation 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.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of ten years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(6) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

Additional Conditions: None.

Points System	Max. Possible Points	Requested Points	Points Awarded
Cost Efficiency / Credit Reduction / Public Funds	20	17	10
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ¼ mile of transit stop, service every 30 min, 25 units/acre density	7	7	7
Within ¼ mile of public park or community center open to general public	3	3	3
Within ¼ mile of public elementary school in attendance boundary	3	3	3
Within ½ mile of medical clinic or hospital	3	3	3
Service Amenities	10	5	5
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Sustainable Building Methods	10	10	10
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: LEED	5	5	5
Develop project to requirements of: LEED Gold	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed	20	15	15
Miscellaneous Federal and State Policies	2	2	2
Smoke Free Residence	2	2	2
Total Points	148	135	128

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.