

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

October 21, 2015

Park Sunset Apartments, located at 1353 7th Avenue in San Francisco, CA, requested and is being recommended for a reservation of \$533,226 in annual federal tax credits to finance the acquisition and rehabilitation of 29 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Community Preservation Partners, LLC and will be located in Senate District 11 and Assembly District 19.

The project is currently at-risk, but is being recommended for a reservation of tax credits that will be preserve affordability for an additional 55 years. The project will be receiving rental assistance in the form of HUD Section 8 Project-based Contract.

Project Number CA-15-892

Project Name Park Sunset Apartments
Site Address: 1353 7th Avenue
San Francisco, CA 94122 County: San Francisco
Census Tract: 302.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$533,226	\$0
Recommended:	\$533,226	\$0

Applicant Information

Applicant: Park Sunset Community Partners, LP
Contact: Anand Kannan
Address: 17782 Sky Park Circle
Irvine CA 92614
Phone: (949) 236-8278
Email: akannan@wncinc.com

General Partner(s) or Principal Owner(s): WNC - Park Sunset G/P, LLC
FFAH - Park Sunset, LLC

General Partner Type: Joint Venture

Parent Company(ies): WNC Development Partners, LLC
FFAH, Inc.

Developer: Community Preservation Partners, LLC

Investor/Consultant: WNC & Associates

Management Agent: FPI Management Company

Project Information

Construction Type: Acquisition and Rehabilitation
 Total # Residential Buildings: 1
 Total # of Units: 30
 No. & % of Tax Credit Units: 29 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-Based Contract (29 Units - 100%)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 14
 Number of Units @ or below 60% of area median income: 15

Bond Information

Issuer: California Housing Finance Agency
 Expected Date of Issuance: October 1, 2015
 Credit Enhancement: N/A

Information

Housing Type: At-Risk
 Geographic Area: San Francisco County
 TCAC Project Analyst: Zhuo Chen

Unit Mix

18 SRO/Studio Units
 12 1-Bedroom Units

 30 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>
9 SRO/Studio	60%	60%	\$1,231
9 SRO/Studio	50%	50%	\$1,026
6 1 Bedroom	60%	60%	\$1,319
5 1 Bedroom	50%	50%	\$1,099
1 1 Bedroom	Manager's Unit	Manager's Unit	\$1,319

Project Cost Summary at Application

Land and Acquisition	\$9,995,000
Construction Costs	\$0
Rehabilitation Costs	\$1,980,399
Construction Contingency	\$200,350
Relocation	\$200,000
Architectural/Engineering	\$150,000
Construction Interest, Perm Financing	\$917,102
Legal Fees, Appraisals	\$172,000
Reserves	\$192,000
Other Costs	\$268,341
Developer Fee	\$1,951,808
Commercial Costs	\$0
Total	\$16,027,000

Project Financing

Estimated Total Project Cost:	\$16,027,000
Estimated Residential Project Cost:	\$16,027,000

Residential

Construction Cost Per Square Foot:	\$107
Per Unit Cost:	\$534,233

Construction Financing

Source	Amount
Citi Community Capital	\$10,000,000
Seller Carryback Note	\$1,000,000
Capitalized Interest	\$432,000
Deferred Developer Fee	\$1,951,808
Tax Credit Equity	\$2,643,192

Permanent Financing

Source	Amount
Citi Community Capital	\$9,150,000
Seller Carryback Note	\$1,000,000
Capitalized Interest	\$432,000
Deferred Developer Fee	\$221,518
Tax Credit Equity	\$5,223,482
TOTAL	\$16,027,000

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$3,987,109
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$10,976,750
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$5,183,242
Qualified Basis (Acquisition):	\$10,976,750
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$170,993
Maximum Annual Federal Credit, Acquisition:	\$362,233
Total Maximum Annual Federal Credit:	\$533,226
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,951,808
Investor/Consultant:	WNC & Associates
Federal Tax Credit Factor:	\$0.97960

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:	\$14,963,859
Actual Eligible Basis:	\$14,963,859
Unadjusted Threshold Basis Limit:	\$9,870,174
Total Adjusted Threshold Basis Limit:	\$15,594,875

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: 48%

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 exceeds 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: None.

Local Reviewing Agency:

The Local Reviewing Agency, San Francisco Mayor's Office of Housing and Community Development, has completed a site review of this project and took no position of 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
\$533,226

State Tax Credits/Total
\$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.