

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**Tax-Exempt Bond Project**

**December 16, 2015**

Transbay Block 8 - Affordable Apartments, located at 250 Fremont Street in San Francisco, requested and is being recommended for a reservation of \$1,557,050 in annual federal tax credits to finance the new construction of 79 units of housing serving large families with rents affordable to households earning 50% of area median income (AMI). The project will be developed by Related Development Companies of California LLC and will be located in Senate District 11 and Assembly District 17.

**Project Number** CA-15-924

**Project Name** Transbay Block 8 - Affordable Apartments  
**Site Address:** 250 Fremont Street  
San Francisco, CA 94105 County: San Francisco  
**Census Tract:** 615.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,557,050	\$0
Recommended:	\$1,557,050	\$0

**Applicant Information**

**Applicant:** T8 Housing Partners, L.P.  
**Contact:** Frank Cardone  
**Address:** 18201 Von Karman Avenue, Suite 900  
Irvine, CA 92612  
**Phone:** (949) 660-7272 **Fax:** (949) 660-7273  
**Email:** fcardone@related.com

**General Partner(s) or Principal Owner(s):** TRCC/T8 Development Co., LLC  
T8 Housing Partners MGP, LLC  
**General Partner Type:** Joint Venture  
**Parent Company(ies):** The Related Companies of California, LLC  
Turk Street, Inc. (dba Tenderloin Neighborhood  
Development Corporation)  
**Developer:** Related Development Companies of California, LLC  
**Investor/Consultant:** Wells Fargo Bank N.A.  
**Management Agent:** Related Management Company, L.P.

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 2  
 Total # of Units: 80  
 No. & % of Tax Credit Units: 79 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt  
 HCD MHP Funding: No  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 50% of area median income: 79

**Bond Information**

Issuer: San Francisco Mayor's Office of Housing and Community Development  
 Expected Date of Issuance: January 2016  
 Credit Enhancement: N/A

**Information**

Housing Type: Large Family  
 Geographic Area: San Francisco County  
 TCAC Project Analyst: Jack Waegell

**Unit Mix**

40 1-Bedroom Units  
 16 2-Bedroom Units  
 24 3-Bedroom Units  


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 80 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>
39 1 Bedroom	50%	46%	\$1,019
16 2 Bedrooms	50%	43%	\$1,146
24 3 Bedrooms	50%	42%	\$1,274
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$800,000
Construction Costs	\$26,138,009
Rehabilitation Costs	\$0
Construction Contingency	\$1,306,900
Relocation	\$0
Architectural/Engineering	\$3,228,914
Construction Interest, Perm Financing	\$2,313,669
Legal Fees, Appraisals	\$355,947
Reserves	\$226,508
Other Costs	\$2,138,844
Developer Fee	\$2,500,000
Commercial Costs	\$0
<b>Total</b>	<b>\$39,008,791</b>

**Project Financing**

Estimated Total Project Cost:	\$39,008,791
Estimated Residential Project Cost:	\$39,008,791

**Residential**

Construction Cost Per Square Foot:	\$285
Per Unit Cost:	\$487,610

**Construction Financing**

Source	Amount
Citibank N.A.	\$19,290,833
San Francisco OCII - Loan	\$14,801,600
Deferred Interest	\$649,420
Deferred Operating Reserve	\$226,508
Donated Land (Air-Space) Value	\$750,000
Deferred Developer Fee	\$1,500,000
Tax Credit Equity	\$1,790,429

**Permanent Financing**

Source	Amount
Citibank N.A.	\$3,205,083
San Francisco OCII - Loan	\$16,000,000
Deferred Interest	\$649,420
Donated Land (Air-Space) Value	\$750,000
General Partner Equity	\$500,000
Tax Credit Equity	\$17,904,288
<b>TOTAL</b>	<b>\$39,008,791</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$36,294,878
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis:	\$47,183,342
Applicable Rate:	3.30%
Total Maximum Annual Federal Credit:	\$1,557,050
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	Wells Fargo Bank N.A.
Federal Tax Credit Factor:	\$1.14989

Per Regulation Section 10322(h)(9)(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:	\$36,294,878
Actual Eligible Basis:	\$36,294,878
Unadjusted Threshold Basis Limit:	\$34,444,264
Total Adjusted Threshold Basis Limit:	\$81,821,360

**Adjustments to Basis Limit**

- Required to Pay Prevailing Wages
- Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels
- Local Development Impact Fees
- 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**

This project is part of the larger Transbay Transit Center master development that is on the site of the former Transbay Terminal building. This project, and other projects proposed on the site, will achieve the requirements of Assembly Bill 812 adopted in 2003 that mandated a percentage of the units developed in the area around the Center be available to low-income households.

This project consists of a 6-story podium building and an 8-story podium building located adjacent to another Transbay Transit Center building. This project will have 20 parking spaces available free of charge to the low-income tenants and will also provide a children play area, BBQ grill, community room, and rooftop community garden for its residents. Except for the parking spaces, the other amenities will also be available to the low-income tenants residing in another tax credit project, CA-15-925, Transbay Block 8 - 80/20 Apartments, located in the adjacent 55-story Transbay building (Floors 1-8).

**Local Reviewing Agency**

The Local Reviewing Agency, the San Francisco Mayor's Office of Housing and 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>\$1,557,050</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:** 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 becoming certified under any one of the following programs:  
Leadership in Energy & Environmental Design (LEED)
- The project will be developed beyond the minimum requirements of the green building program by meeting the LEED for Homes SILVER standard.