

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**December 16, 2015**

Transbay Block 8 - 80/20 Apartments, located at 422-498 Folsom Street in San Francisco, requested and is being recommended for a reservation of \$1,654,658 in annual federal tax credits to finance the new construction of 70 units of housing serving tenants with rents affordable to households earning 50% of area median income (AMI). The project will be developed by Transbay 8 Urban Housing, LLC and will be located in Senate District 11 and Assembly District 17.

**Project Number** CA-15-925

**Project Name** Transbay Block 8 - 80/20 Apartments  
**Site Address:** 422-498 Folsom 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:	\$1,654,658	\$0
Recommended:	\$1,654,658	\$0

**Applicant Information**

**Applicant:** T8 Urban Housing Associates BMR, LP  
**Contact:** Greg Vilkin  
**Address:** 44 Montgomery Street, Suite 1050  
 San Francisco, CA 94104  
**Phone:** (415) 677-9000 **Fax:** (888) 371-8739  
**Email:** greg.vilkin@related.com

**General Partner(s) or Principal Owner(s):** T8 Urban Development Co., LLC  
 TB8 Urban Residential C MGP, LLC

**General Partner Type:** Joint Venture

**Parent Company(ies):** Related California Residential, LLC  
 Turk Street, Inc.

**Developer:** Transbay 8 Urban Housing, LLC

**Investor/Consultant:** Wells Fargo Bank

**Management Agent:** Related Management Company, L.P.

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 1  
 Total # of Units: 71  
 No. & % of Tax Credit Units: 70 100.00%  
 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: 70

**Bond Information**

Issuer: City and County of San Francisco - Mayor's Office Housing and  
 Community Development  
 Expected Date of Issuance: January 31, 2016  
 Credit Enhancement: Bank of China

**Information**

Housing Type: Non-Targeted  
 Geographic Area: San Francisco County  
 TCAC Project Analyst: Connie Harina

**Unit Mix**

20 SRO/Studio Units  
 33 1-Bedroom Units  
 18 2-Bedroom Units  


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 71 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>
3 SRO/Studio	40%	40%	\$821
17 SRO/Studio	50%	44%	\$893
5 1 Bedroom	40%	40%	\$879
27 1 Bedroom	50%	46%	\$1,019
3 2 Bedrooms	40%	40%	\$1,055
15 2 Bedrooms	50%	43%	\$1,146
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$3,235,485
Construction Costs	\$29,397,547
Rehabilitation Costs	\$0
Construction Contingency	\$1,488,829
Relocation	\$0
Architectural/Engineering	\$2,073,673
Construction Interest, Perm Financing	\$5,022,752
Legal Fees, Appraisals	\$181,975
Reserves	\$454,357
Other Costs	\$1,990,627
Developer Fee	\$0
Commercial Costs	\$0
<b>Total</b>	<b>\$43,845,245</b>

**Project Financing**

Estimated Total Project Cost:	\$43,845,245
Estimated Residential Project Cost:	\$43,845,245

**Residential**

Construction Cost Per Square Foot:	\$308
Per Unit Cost:	\$617,539

**Construction Financing**

<u>Source</u>	<u>Amount</u>
Bank of China USA	\$37,941,262
OCII - Streetscape Reimbursement	\$1,815,427
Donated Land Value	\$2,682,866
Deferred Operating Reserve	\$454,357
Tax Credit Equity	\$951,333

**Permanent Financing**

<u>Source</u>	<u>Amount</u>
Citibank	\$20,135,710
OCII - Streetscape Reimbursement	\$2,000,000
Donated Land Value	\$2,682,866
Tax Credit Equity	\$19,026,669
<b>TOTAL</b>	<b>\$43,845,245</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$38,570,127
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$50,141,165
Applicable Rate:	3.30%
Total Maximum Annual Federal Credit:	\$1,654,658
Approved Developer Fee (in Project Cost & Eligible Basis):	\$0
Investor/Consultant:	Wells Fargo Bank
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:	\$38,570,127
Actual Eligible Basis:	\$38,570,127
Unadjusted Threshold Basis Limit:	\$25,758,605
Total Adjusted Threshold Basis Limit:	\$59,384,319

**Adjustments to Basis Limit**

Required to Pay Prevailing Wages

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 provide a children play area, BBQ grill, community room, and rooftop community garden for its residents. These amenities will also be available to the low-income tenants residing in another tax credit project, CA-15-924, Transbay Block 8 - Affordable Apartments, located in the adjacent Transbay building.

Staff noted a per unit development costs of approximately \$617,539. The applicant noted that the per unit cost is attributed to the developments construction type (concrete and steel) and environmental mitigation including extensive site excavation and removal.

Pursuant to TCAC Regulation Section 10327(c)(2)(C), Transbay Block 8 - 80/20 Apartments and Transbay Block 8 - Affordable Apartments are being developed as multiple simultaneous phases using the same credit type and is eligible for total developer fee up to \$2,500,000.

**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>\$1,654,658</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 the following program:  
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.