

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**March 16, 2016**

1036 Mission Family Housing, located at 1036 Mission Street in San Francisco, requested and is being recommended for a reservation of \$2,009,743 in annual federal tax credits to finance the new construction of 83 units of housing serving tenants with rents affordable to households earning 50-60% 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 San Francisco Local Operating Support Program (LOSP). The project financing includes state funding from the MHP and TOD programs of HCD.

**Project Number** CA-16-810

**Project Name** 1036 Mission Family Housing  
 Site Address: 1036 Mission Street  
 San Francisco, CA 94103 County: San Francisco  
 Census Tract: 176.010

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$2,009,743	\$0
Recommended:	\$2,009,743	\$0

**Applicant Information**

Applicant: 1036 Mission Associates, L.P.  
 Contact: Donald S. Falk  
 Address: 201 Eddy Street  
 San Francisco, CA 94102  
 Phone: (415) 358-3923 Fax: (415) 776-3952  
 Email: dfalk@tndc.org

General Partner(s) or Principal Owner(s): 1036 Mission 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: New Construction  
 Total # Residential Buildings: 1  
 Total # of Units: 83  
 No. & % of Tax Credit Units: 83 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt  
 HCD MHP Funding: Yes  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 50% of area median income: 9  
 Number of Units @ or below 60% of area median income: 74

**Bond Information**

Issuer: City of San Francisco  
 Expected Date of Issuance: June 1, 2016  
 Credit Enhancement: N/A

**Information**

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

**Unit Mix**

38 1-Bedroom Units  
 38 2-Bedroom Units  
7 3-Bedroom Units  
 83 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>
5 1 Bedroom	50%	13%	\$275
10 1 Bedroom	60%	13%	\$275
23 1 Bedroom	60%	46%	\$1,019
8 2 Bedrooms	60%	11%	\$300
4 2 Bedrooms	50%	11%	\$300
9 2 Bedrooms	60%	11%	\$300
17 2 Bedrooms	60%	43%	\$1,146
3 3 Bedrooms	60%	10%	\$300
1 3 Bedrooms	60%	10%	\$300
3 3 Bedrooms	60%	42%	\$1,274

See "Special Issues/Other Significant Information" section of staff report for manager unit information

**Project Cost Summary at Application**

Land and Acquisition	\$6,463,108
Construction Costs	\$31,781,102
Rehabilitation Costs	\$0
Construction Contingency	\$5,714,468
Relocation	\$0
Architectural/Engineering	\$2,386,525
Const. Interest, Perm. Financing	\$2,618,008
Legal Fees, Appraisals	\$274,720
Reserves	\$628,798
Other Costs	\$3,584,453
Developer Fee	\$2,500,000
Commercial Costs	\$598,748
<b>Total</b>	<b>\$56,549,930</b>

**Project Financing**

Estimated Total Project Cost:	\$56,549,930
Estimated Residential Project Cost:	\$55,924,286
Estimated Commercial Project Cost	\$625,644

**Residential**

Construction Cost Per Square Foot:	\$315
Per Unit Cost:	\$673,787

**Construction Financing**

Source	Amount
Silicon Valley Bank	\$32,100,000
San Francisco MOH Acquisition	\$5,800,000
San Francisco MOH	\$14,046,092
Accrued Interest	\$577,052
AHP	\$1,000,000
Income from Operations	\$1,058,212
Costs Deferred Until Perm	\$855,707
Tax Credit Equity	\$1,112,867

**Permanent Financing**

Source	Amount
San Francisco MOH Acquisition	\$5,800,000
San Francisco MOH	\$14,046,092
Accrued Interest	\$577,052
HCD - TOD	\$3,000,000
HCD - MHP	\$7,000,000
AHP	\$1,000,000
Income from Operations	\$1,058,212
General Partner Contribution	\$1,300,000
Tax Credit Equity	\$22,768,574
<b>TOTAL</b>	<b>\$56,549,930</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$46,847,164
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$60,901,313
Applicable Rate:	3.30%
Maximum Annual Federal Credit:	\$2,009,743
Approved Developer Fee in Project Cost:	\$2,500,000
Approved Developer Fee in Eligible Basis:	\$2,473,104
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$1.13291

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:	\$46,847,164
Actual Eligible Basis:	\$46,847,164
Unadjusted Threshold Basis Limit:	\$33,832,822
Total Adjusted Threshold Basis Limit:	\$47,591,499

**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: 10%

**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 1036 Mission Family Housing project contains 83 total units, 40 of which will be designated for formerly homeless or at-risk for homelessness families and supported financially by the City of San Francisco's Local Operating Subsidy Program (LOSP). Residents of the 40 LOSP units will not pay utilities so there are no utility allowances on these units.

Staff noted a per unit development cost of approximately \$673,787. The applicant noted that the per unit cost is attributed to the development's location, and environmental mitigation, which includes extensive site excavation and removal.

The property management staff on-site will include one full-time General Manager and one full-time Assistant Manager. The 24-hour desk will be staffed by an equivalent of 4.4 full-time employees (FTE). Desk staff will be available to residents throughout the day and night, and will also monitor guests entering and exiting the building.

**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>\$2,009,743</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 GreenPoint Rated Multifamily Guidelines
- The project will be developed beyond the minimum requirements of the green building program by meeting the GreenPoint Rated Silver standard.
- The project will commit to having a parking ratio equivalent to or less than 1 parking stall per single room occupancy or one-bedroom restricted rental unit and 1.5 parking stalls per two-bedroom or larger restricted rental unit.