

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

May 18, 2016

3850 18th Street, located at 3850 18th Street in San Francisco, requested and is being recommended for a reservation of \$2,080,106 in annual federal tax credits to finance the acquisition and rehabilitation of 105 units of housing serving tenants with rents affordable to households earning 50% of area median income (AMI). The project will be developed by BRIDGE Housing Corporation and Mission Economic Development Agency and is 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 Contract and HUD RAD Project-based Vouchers.

Project Number CA-16-835

Project Name 3850 18th Street
Site Address: 3850 18th Street
San Francisco, CA 94114 County: San Francisco
Census Tract: 206.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,080,106	\$0
Recommended:	\$2,080,106	\$0

Applicant Information

Applicant: 3850 18th Street Housing Associates, L.P.
Contact: Ann Silverberg
Address: 600 California Street, Suite 900
San Francisco, CA 94108
Phone: 415-989-1111 Fax: 415-495-4898
Email: asilverberg@bridgehousing.com

General Partner(s) or Principal Owner(s): 3850 18th Street LLC
General Partner Type: Nonprofit
Parent Company(ies): BRIDGE Housing Corporation and Mission Economic Development Agency
Developer: BRIDGE Housing Corporation
Co-Developer: Mission Economic Development Agency
Investor/Consultant: Bank of America
Management Agent: BRIDGE Property Management Company

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 2
 Total # of Units: 107
 No. & % of Tax Credit Units: 105 99.06%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Contract (51 units - 48%) / HUD RAD Project-based Vouchers (55 units - 51%)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 105

Bond Information

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

Information

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

Unit Mix

88 SRO/Studio Units
 19 1-Bedroom Units

 107 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>
55 SRO/Studio	50%	43%	\$892
17 1 Bedroom	50%	46%	\$1,019
33 SRO/Studio	50%	43%	\$892
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0
1 1 Bedroom	Market Rate Unit	Market Rate Unit	\$1,019

Project Cost Summary at Application

Land and Acquisition	\$24,647,550
Construction Costs	\$0
Rehabilitation Costs	\$17,488,517
Construction Contingency	\$3,051,615
Relocation	\$1,246,035
Architectural/Engineering	\$1,210,500
Const. Interest, Perm. Financing	\$5,258,209
Legal Fees, Appraisals	\$93,000
Reserves	\$1,653,062
Other Costs	\$1,546,106
Developer Fee	\$5,091,694
Commercial Costs	\$0
Total	\$61,286,288

Project Financing

Estimated Total Project Cost:	\$61,286,288
Estimated Residential Project Cost:	\$61,286,288
Estimated Commercial Project Cost	\$0

Residential

Construction Cost Per Square Foot:	\$268
Per Unit Cost:	\$572,769
Effective Per Unit Cost:	\$352,641

Construction Financing

Source	Amount
Bank of America	\$33,975,000
SFHA Seller Carryback	\$21,022,000
Accrued Interest on Soft Loans	\$1,514,635
Costs Deferred Until Permanent	\$1,092,221
Deferred Developer Fee	\$2,531,694
Tax Credit Equity	\$1,150,738

Permanent Financing

Source	Amount
Bank of America	\$7,427,000
SFHA Seller Carryback	\$21,022,000
SFHA Permanent Loan	\$3,000,000
SF MOHCD Loan	\$34,199
Accrued Interest on Soft Loans	\$1,514,635
General Partner Equity	\$500,000
Deferred Developer Fee	\$2,531,694
Tax Credit Equity	\$25,256,760
TOTAL	\$61,286,288

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$30,089,097
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$25,660,673
Applicable Fraction:	98.81%
Qualified Basis (Rehabilitation):	\$38,648,906
Qualified Basis (Acquisition):	\$25,354,365
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	\$1,243,412
Maximum Annual Federal Credit, Acquisition:	\$836,694
Total Maximum Annual Federal Credit:	\$2,080,106
Approved Developer Fee (in Project Cost & Eligible Basis):	\$5,091,694
Investor/Consultant:	Bank of America
Federal Tax Credit Factor:	\$1.21421

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:	\$55,749,770
Actual Eligible Basis:	\$55,749,770
Unadjusted Threshold Basis Limit:	\$34,959,818
Total Adjusted Threshold Basis Limit:	\$69,570,038

Adjustments to Basis Limit

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 99%

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 3.25% 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 proposed rent does not include a utility allowance. The owner will pay for all utilities.

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:

Federal Tax Credits/Annual	State Tax Credits/Total
\$2,080,106	\$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.