

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

May 18, 2016

1760 Bush, located at 1760 Bush Street in San Francisco, requested and is being recommended for a reservation of \$1,624,909 in annual federal tax credits to finance the acquisition and rehabilitation of 104 units of housing serving seniors with rents affordable to households earning 50% of area median income (AMI). The project will be developed by John Stewart Company 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 Vouchers and HUD RAD Project-based vouchers.

Project Number CA-16-839

Project Name 1760 Bush
Site Address: 1760 Bush Street
San Francisco, CA 94109 County: San Francisco
Census Tract: 15200.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,624,909	\$0
Recommended:	\$1,624,909	\$0

Applicant Information

Applicant: 1760 Bush, L.P.
Contact: Jack D. Gardner
Address: 1388 Sutter Street, 11th Floor
San Francisco, CA 94109
Phone: 415-345-4400 **Fax:** 415-614-9175
Email: jgardner@jsco.net

General Partner(s) or Principal Owner(s): JSCo CS Corridor, LLC
Mercy Housing Calwest
Japanese American Religious Federation Housing, Inc

General Partner Type: Joint Venture

Parent Company(ies): John Stewart Company
Mercy Housing California
Japanese American Religious Federation Housing, Inc

Developer: 1760 Bush, L.P.

Investor/Consultant: California Housing Partnership Corporation

Management Agent: John Stewart Company

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 1
 Total # of Units: 108
 No. & % of Tax Credit Units: 104 97.20%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt
 HUD RAD Project-Based Vouchers (44 Units - 41%)
 HUD Section 8 Project-Based Vouchers (63 Units - 59%)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 104

Bond Information

Issuer: SF Mayor's Office of Housing
 Expected Date of Issuance: October 1, 2016
 Credit Enhancement: N/A

Information

Housing Type: Seniors
 Geographic Area: San Francisco County
 TCAC Project Analyst: DC Navarrette

Unit Mix

83 SRO/Studio Units
 24 1-Bedroom Units
 1 2-Bedroom Units

 108 Total Units

Unit Type & Number	2015 Rents Targeted % of Area Median Income	2015 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
44 SRO/Studio	50%	36%	\$743
37 SRO/Studio	50%	43%	\$892
22 1 Bedroom	50%	46%	\$1,019
1 2 Bedrooms	50%	43%	\$1,147
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0
2 SRO/Studio	Market Rate Unit	Market Rate Unit	\$700
1 1 Bedroom	Market Rate Unit	Market Rate Unit	\$800

Project Cost Summary at Application

Land and Acquisition	\$21,892,750
Construction Costs	\$0
Rehabilitation Costs	\$13,657,384
Construction Contingency	\$2,652,477
Relocation	\$600,000
Architectural/Engineering	\$1,125,000
Const Interest, Perm Financing	\$2,487,657
Legal Fees, Appraisals	\$141,000
Reserves	\$2,067,057
Other Costs	\$1,318,950
Developer Fee	\$4,231,557
Commercial Costs	\$0
Total	\$50,173,832

Project Financing

Estimated Total Project Cost:	\$50,173,832
Estimated Residential Project Cost:	\$50,173,832
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$192
Per Unit Cost:	\$464,573
Effective Per Unit Cost:	\$295,586

Construction Financing

Source	Amount
Construction Loan - Tax Exempt	\$29,425,000
SFHA - Seller Carryback Note	\$16,569,984
Accrued/Deferred Interest	\$615,023
Deferred Costs	\$1,012,948
Deferred Developer Fee	\$1,680,590
Tax Credit Equity	\$870,286

Permanent Financing

Source	Amount
Permanent Loan - Tax Exempt	\$7,713,000
SFHA - Seller Carryback Note	\$16,569,984
SFHA Permanent Loan	\$3,126,500
SF MOHCD Gap Loan	\$283,010
Accrued/Deferred Interest	\$615,023
Deferred Developer Fee	\$1,680,590
GP Equity	\$500,000
Tax Credit Equity	\$19,685,725
TOTAL	\$50,173,832

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$23,112,337
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$21,436,021
Applicable Fraction:	97.12%
Qualified Basis (Rehabilitation):	\$29,179,445
Qualified Basis (Acquisition):	\$20,817,759
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	\$948,332
Maximum Annual Federal Credit, Acquisition:	\$676,577
Total Maximum Annual Federal Credit:	\$1,624,909
Approved Developer Fee (in Project Cost & Eligible Basis):	\$4,231,557
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$1.21150

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:	\$44,548,358
Actual Eligible Basis:	\$44,548,358
Unadjusted Threshold Basis Limit:	\$35,645,538
Total Adjusted Threshold Basis Limit:	\$73,786,264

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:	97%

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 property owner will pay for all utilities.

Local Reviewing Agency

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

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
\$1,624,909	\$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.