

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**Tax-Exempt Bond Project**

**May 18, 2016**

JFK Tower, located at 2451 Sacramento Street in San Francisco, requested and is being recommended for a reservation of \$2,049,679 in annual federal tax credits to finance the acquisition and rehabilitation of 97 units of housing serving tenants with rents affordable to households earning 50% of area median income (AMI). The project will be developed by Mercy Housing California and is located in Senate District 11 and Assembly District 19.

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-16-844

**Project Name** JFK Tower  
**Site Address:** 2451 Sacramento Street  
San Francisco, CA 94115 County: San Francisco  
**Census Tract:** 135.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$2,049,679	\$0
Recommended:	\$2,049,679	\$0

**Applicant Information**

**Applicant:** JFK Tower L.P., a California Limited Partnership  
**Contact:** Michael Kaplan  
**Address:** 1360 Mission Street #300  
San Francisco, CA 94103  
**Phone:** 415-355-7116 **Fax:** 415-355-7101  
**Email:** mkaplan@mercyhousing.org

**General Partner(s) or Principal Owner(s):** Mercy Housing Calwest  
JSCO CA Corridor LLC  
Japanese-American Religious Federation Housing, Inc.

**General Partner Type:** Joint Venture

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

**Developer:** Mercy Housing California

**Investor/Consultant:** California Housing Partnership Corporation

**Management Agent:** Mercy Housing Management Group

**Project Information**

Construction Type: Acquisition & Rehabilitation  
 Total # Residential Buildings: 1  
 Total # of Units: 98  
 No. & % of Tax Credit Units: 97 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt  
 HUD RAD Project-Based Vouchers (42 Units - 43%)  
 HUD Section 8 Project-Based Vouchers (55 Units - 57%)  
 HCD MHP Funding: No  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 50% of area median income: 97

**Bond Information**

Issuer: The City and County of San Francisco  
 Expected Date of Issuance: September 15, 2016  
 Credit Enhancement: N/A

**Information**

Housing Type: Non-Targeted  
 Geographic Area: San Francisco County  
 TCAC Project Analyst: DC Navarrette

**Unit Mix**

76 SRO/Studio Units  
 21 1-Bedroom Units  
 1 2-Bedroom Units  


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 98 Total Units

<b>Unit Type &amp; Number</b>	<b>2015 Rents Targeted % of Area Median Income</b>	<b>2015 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
42 SRO/Studio	50%	43%	\$892
34 SRO/Studio	50%	43%	\$892
20 1 Bedroom	50%	46%	\$1,019
1 2 Bedrooms	50%	44%	\$1,147
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$26,599,302
Construction Costs	\$0
Rehabilitation Costs	\$17,085,672
Construction Contingency	\$3,387,134
Relocation	\$900,000
Architectural/Engineering	\$1,627,190
Const Interest, Perm Financing	\$2,900,163
Legal Fees, Appraisals	\$190,500
Reserves	\$1,578,551
Other Costs	\$1,532,089
Developer Fee	\$4,852,904
Commercial Costs	\$0
<b>Total</b>	<b>\$60,653,505</b>

**Project Financing**

Estimated Total Project Cost:	\$60,653,505
Estimated Residential Project Cost:	\$60,653,505
Estimated Commercial Project Cost:	\$0

**Residential**

Construction Cost Per Square Foot:	\$252
Per Unit Cost:	\$618,913
Effective Per Unit Cost:	\$391,945

**Construction Financing**

Source	Amount
Bank of America	\$35,363,000
SFHA - Seller Carryback Note	\$19,577,100
Accrued/Deferred Interest	\$1,124,052
Deferred Developer Fee	\$2,665,768
Tax Credit Equity	\$1,150,179

**Permanent Financing**

Source	Amount
Bank of America/Freddie Mac	\$8,983,000
SFHA - Seller Carryback Note	\$19,577,100
SFHA Perm Loan	\$2,900,000
Accrued/Deferred Interest	\$1,124,052
General Partner Equity	\$500,000
Deferred Developer Fee	\$2,665,768
Tax Credit Equity	\$24,903,585
<b>TOTAL</b>	<b>\$60,653,505</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$29,682,856
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$24,479,337
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$38,587,713
Qualified Basis (Acquisition):	\$24,479,337
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	\$1,254,101
Maximum Annual Federal Credit, Acquisition:	\$795,578
Total Maximum Annual Federal Credit:	\$2,049,679
Approved Developer Fee (in Project Cost & Eligible Basis):	\$4,852,904
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$1.21500

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:	\$54,162,193
Actual Eligible Basis:	\$54,162,193
Unadjusted Threshold Basis Limit:	\$32,318,686
Total Adjusted Threshold Basis Limit:	\$64,637,372

**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: 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 3.25% 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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$2,049,679</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:** None.