

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

May 18, 2016

1750 McAllister Street, located at 1750 McAllister Street in San Francisco, requested and is being recommended for a reservation of \$2,039,910 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 Community Housing Partnership 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-16-845

Project Name 1750 McAllister Street
Site Address: 1750 McAllister Street
San Francisco, CA 94115 County: San Francisco
Census Tract: 15802.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,032,910	\$0
Recommended:	\$2,032,910	\$0

Applicant Information

Applicant: 1750 McAllister, L.P.
Contact: Gail Gilman
Address: 20 Jones Street, Suite 200
San Francisco, CA 94102
Phone: 415-852-5300 Fax: 415-749-2790
Email: ggilman@chp-sf.org

General Partner(s) or Principal Owner(s): CHP 1750 RAD LLC
General Partner Type: Nonprofit
Parent Company(ies): Community Housing Partnership
Developer: Community Housing Partnership
Investor/Consultant: California Housing Partnership Corporation
Management Agent: Community Housing Partnership

Project Information

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

Bond Information

Issuer: 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

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

 97 Total Units

Unit Type & Number	2015 Rents Targeted % of Area Median Income	2015 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
41 SRO/Studio	50%	44%	\$893
1 2 Bedrooms	50%	43%	\$1,146
34 SRO/Studio	50%	44%	\$893
21 1 Bedroom	50%	46%	\$1,019

Project Cost Summary at Application

Land and Acquisition	\$25,498,250
Construction Costs	\$0
Rehabilitation Costs	\$15,817,042
Construction Contingency	\$5,432,336
Relocation	\$814,684
Architectural/Engineering	\$1,197,856
Const. Interest, Perm. Financing	\$4,261,900
Legal Fees, Appraisals	\$41,000
Reserves	\$2,069,195
Other Costs	\$1,266,219
Developer Fee	\$4,271,343
Commercial Costs	\$0
Total	\$60,669,825

Project Financing

Estimated Total Project Cost:	\$60,669,825
Estimated Residential Project Cost:	\$60,669,825
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$368
Per Unit Cost:	\$625,462
Effective Per Unit Cost:	\$382,136

Construction Financing

Source	Amount
Bank of America	\$34,043,000
SFHA - Seller Carryback Loan	\$21,830,000
Seller Carryback Accrued Interest	\$1,407,530
Deferred Developer Fee	\$1,772,651
Tax Credit Equity	\$1,139,951

Permanent Financing

Source	Amount
Bank of America	\$7,252,000
SFHA - Seller Carryback Loan	\$21,830,000
Seller Carryback Accrued Interest	\$1,407,530
SFHA - Permanent Loan	\$3,000,000
SF MOHCD - Gap Loan	\$208,624
General Partner Equity	\$500,000
Deferred Developer Fee	\$1,772,651
Tax Credit Equity	\$24,699,020
TOTAL	\$60,669,825

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$29,767,274
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$23,853,618
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$38,697,456
Qualified Basis (Acquisition):	\$23,853,618
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	\$1,257,667
Maximum Annual Federal Credit, Acquisition:	\$775,243
Total Maximum Annual Federal Credit:	\$2,032,910
Approved Developer Fee (in Project Cost & Eligible Basis):	\$4,271,343
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$1.21496

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:	\$53,620,892
Actual Eligible Basis:	\$53,620,892
Unadjusted Threshold Basis Limit:	\$32,000,600
Total Adjusted Threshold Basis Limit:	\$64,001,200

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.

The manager's unit will be tax credit low-income unit occupied by a qualified low-income tenant.

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
\$2,032,910	\$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.