

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**May 18, 2016**

Francis of Assisi Community, located at 145 Guerrero Street in San Francisco, requested and is being recommended for a reservation of \$2,605,070 in annual federal tax credits to finance the acquisition and rehabilitation of 108 units of housing serving seniors with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Mercy Housing California and is located in Senate District 11 and Assembly District 17.

The project is receiving rental assistance in the form of a HUD Section 8 Project-based Contract.

**Project Number** CA-16-866

**Project Name** Francis of Assisi Community  
**Site Address:** 145 Guerrero Street  
San Francisco, CA 94103 County: San Francisco  
**Census Tract:** 20200.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$2,605,070	\$0
Recommended:	\$2,605,070	\$0

**Applicant Information**

**Applicant:** Mercy Housing California 69, L.P  
**Contact:** Sheela Jivan  
**Address:** 1360 Mission Street, Suite 300  
San Francisco, CA 94103  
**Phone:** 415.355.7109  
**Email:** shejivan@mercyhousing.org

**General Partner(s) or Principal Owner(s):** Mercy Housing Calwest  
**General Partner Type:** Nonprofit  
**Parent Company(ies):** Mercy Housing California  
**Developer:** Mercy Housing California  
**Investor/Consultant:** Community Economics  
**Management Agent:** Mercy Housing Management Group

**Project Information**

Construction Type: Acquisition & Rehabilitation  
 Total # Residential Buildings: 1  
 Total # of Units: 110  
 No. & % of Tax Credit Units: 108 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt/ HUD Section 8 Project-based Contract (108 units - 100%)  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 50% of area median income: 56  
 Number of Units @ or below 60% of area median income: 52

**Bond Information**

Issuer: City of San Francisco  
 Expected Date of Issuance: August 18, 2016  
 Credit Enhancement: N/A

**Information**

Housing Type: Seniors  
 Geographic Area: San Francisco County  
 TCAC Project Analyst: Zhuo Chen

**Unit Mix**

108 1-Bedroom Units  
 2 2-Bedroom Units  


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 110 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>
52 1 Bedroom	60%	60%	\$1,319
56 1 Bedroom	50%	50%	\$1,099
2 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$58,123,100
Construction Costs	\$0
Rehabilitation Costs	\$17,734,306
Construction Contingency	\$2,533,472
Relocation	\$575,000
Architectural/Engineering	\$1,245,000
Construction Interest, Perm Financing	\$3,555,100
Legal Fees, Appraisals	\$47,500
Reserves	\$945,188
Other Costs	\$453,909
Developer Fee	\$2,500,000
Commercial Costs	\$0
<b>Total</b>	<b>\$87,712,576</b>

**Project Financing**

Estimated Total Project Cost:	\$87,712,576
Estimated Residential Project Cost:	\$87,712,576
Estimated Commercial Project Cost	\$0

**Residential**

Construction Cost Per Square Foot:	\$256
Per Unit Cost:	\$797,387
Effective Per Unit Cots:	\$513,129

**Construction Financing**

Source	Amount
Citibank - TE Bonds	\$50,000,000
Seller Carryback Loan	\$31,268,374
Income from Operations	\$2,397,519
Cash Reserves	\$339,000
Tax Credit Equity	\$1,655,933

**Permanent Financing**

Source	Amount
Citibank - TE Bonds	\$19,761,500
Seller Carryback Loan	\$31,268,374
Income from Operations	\$2,397,519
Cash Reserves	\$339,000
GP Equity	\$4,393,845
Tax Credit Equity	\$29,552,338
<b>TOTAL</b>	<b>\$87,712,576</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$26,600,563
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$46,574,124
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$34,580,732
Qualified Basis (Acquisition):	\$46,574,124
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	\$1,091,411
Maximum Annual Federal Credit, Acquisition:	\$1,513,659
Total Maximum Annual Federal Credit:	\$2,605,070
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	\$1.13442

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:	\$73,174,687
Actual Eligible Basis:	\$73,174,687
Unadjusted Threshold Basis Limit:	\$40,493,800
Total Adjusted Threshold Basis Limit:	\$73,410,250

**Adjustments to Basis Limit**

- Required to Pay Prevailing Wages
- Seismic Upgrading
- 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: 51%

**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:** None

**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>\$2,605,070</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.