

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**December 13, 2017**

1296 Shotwell Senior Housing, located in San Francisco, requested and is being recommended for a reservation of \$2,174,260 in annual federal tax credits to finance the new construction of 93 units of housing serving seniors with rents affordable to households earning 50% of area median income (AMI). The project will be developed by 1296 Shotwell Housing, L.P. and will be located in Senate District 11 and Assembly District 17.

**Project Number** CA-17-802

**Project Name** 1296 Shotwell Senior Housing  
**Site Address:** 1296 Shotwell Street  
San Francisco, CA 94110 County: San Francisco  
**Census Tract:** 229.01

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$2,174,260	\$0
Recommended:	\$2,174,260	\$0

**Applicant Information**

**Applicant:** 1296 Shotwell Housing, LP  
**Contact:** Whitney Jones, Director of Housing Development  
**Address:** 1525 Grant Ave  
San Francisco, CA 94133  
**Phone:** 415-929-0757  
**Email:** wjones@chinatowncdc.org

**General Partner(s) or Principal Owner(s):** CCDC 1296 Shotwell LLC  
MEDA 1296 Shotwell LLC

**General Partner Type:** Nonprofit  
**Parent Company(ies):** Chinatown Community Development Center (CCDC)  
Mission Economic Development Agency (MEDA)

**Developer:** 1296 Shotwell Housing, L.P.  
**Investor/Consultant:** California Housing Partnership Corporation  
**Management Agent:** Chinatown Community Development Center

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 1  
 Total # of Units: 94  
 No. & % of Tax Credit Units: 93 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HOME  
 HCD MHP Funding: No  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 50% of area median income: 93

**Bond Information**

Issuer: City and County of San Francisco  
 Expected Date of Issuance: February 1, 2018  
 Credit Enhancement: N/A

**Information**

Housing Type: Seniors  
 Geographic Area: San Francisco County  
 TCAC Project Analyst: Jack Waegell

**Unit Mix**

24 SRO/Studio Units  
 69 1-Bedroom Units  
1 2-Bedroom Units  
 94 Total Units

<u>Unit Type &amp; Number</u>	<u>2017 Rents Targeted % of Area Median Income</u>	<u>2017 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
6 SRO/Studio	50%	8%	\$175
13 1 Bedroom	50%	7%	\$175
18 SRO/Studio	50%	44%	\$1,009
56 1 Bedroom	50%	47%	\$1,154
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$116,372,520

**Project Cost Summary at Application**

Land and Acquisition	\$210,000
Construction Costs	\$38,869,867
Rehabilitation Costs	\$0
Construction Contingency	\$1,958,594
Relocation	\$121,487
Architectural/Engineering	\$2,917,800
Const. Interest, Perm. Financing	\$3,036,935
Legal Fees, Appraisals	\$155,000
Reserves	\$286,742
Other Costs	\$2,129,665
Developer Fee	\$4,000,000
Commercial Costs	\$0
<b>Total</b>	<b>\$53,686,090</b>

**Project Financing**

Estimated Total Project Cost:	\$53,686,090
Estimated Residential Project Cost:	\$53,686,090
Estimated Commercial Project Cost:	\$0

**Residential**

Construction Cost Per Square Foot:	\$536
Per Unit Cost:	\$571,129
True Cash Per Unit Cost*:	\$569,707

**Construction Financing**

Source	Amount
Citibank - Tax-Exempt Loan	\$32,483,000
SF MOHCD-AHF Inclusionary	\$8,407,453
SF MOHCD-HOME Loan	\$4,000,000
SF MOHCD-Hotel Tax Repayment Loan	\$3,120,638
SF MOHCD-Accrued Interest	\$141,061
General Partner Capital	\$1,866,392
Deferred Developer Fee	\$133,608
Tax Credit Equity	\$2,044,260

**Permanent Financing**

Source	Amount
Citibank - Tax-Exempt Loan	\$1,178,000
SF MOHCD-AHF Inclusionary Loan	\$21,633,787
SF MOHCD - HOME Loan	\$4,000,000
SF MOHCD-Hotel Tax Repayment Loan	\$3,120,638
SF MOHCD-Accrued Interest	\$141,061
General Partner Capital	\$1,866,392
Deferred Developer Fee	\$133,608
Tax Credit Equity	\$21,612,604
<b>TOTAL</b>	<b>\$53,686,090</b>

\*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$51,461,785
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$66,900,321
Applicable Rate:	3.25%
Total Maximum Annual Federal Credit:	\$2,174,260
Approved Developer Fee (in Project Cost & Eligible Basis):	\$4,000,000
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.99402

Per Regulation Section 10327(c)(6), 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:	\$51,461,785
Actual Eligible Basis:	\$51,461,785
Unadjusted Threshold Basis Limit:	\$35,132,742
Total Adjusted Threshold Basis Limit:	\$80,805,306

**Adjustments to Basis Limit**

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages

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: 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 project has a Local Operating Subsidy Program (LOSP) subsidy from the City and County of San Francisco for 19 units for formerly homeless seniors.

**Local Reviewing Agency**

The Local Reviewing Agency, the 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**  
**\$2,174,260**

**State Tax Credits/Total**  
**\$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.