

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 18, 2018

1950 Mission Street, located at 1950 Mission Street in San Francisco, requested and is being recommended for a reservation of \$4,072,831 in annual federal tax credits to finance the new construction of 155 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by BRIDGE Housing Corporation and Mission Housing Development Corporation and will be located in Senate District 11 and Assembly District 17.

The project has received an award for 40 Local Operation Subsidy Program (LOSP) units for formerly homeless families from the City of San Francisco. The project financing includes state funding from the AHSC program of HCD.

Project Number CA-18-602

Project Name 1950 Mission Street
Site Address: 1950 Mission Street
San Francisco, CA 94103 County: San Francisco
Census Tract: 201.00

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$4,072,831	\$0
Recommended:	\$4,072,831	\$0

Applicant Information

Applicant: 1950 Mission Housing Associates, L.P.
Contact: Smitha Seshadri
Address: 600 California Street, Suite 900
San Francisco, CA 94108
Phone: (415) 321-3516
Email: sseshadri@bridgehousing.com

General Partner(s) or Principal Owner(s): 1950 Mission Housing Associates, LLC
General Partner Type: Nonprofit
Parent Companies: BRIDGE Housing Corporation and
Mission Housing Development Corporation
Developers: BRIDGE Housing Corporation and
Mission Housing Development Corporation
Investor/Consultant: California Housing Partnership Corporation
Management Agent: BRIDGE Property Management Company

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 157
No. / % of Low Income Units: 155 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt

Bond Information

Issuer: City of San Francisco
Expected Date of Issuance: November 3, 2018

Information

Housing Type: Non-Targeted
Geographic Area: San Francisco County
TCAC Project Analyst: Marlene McDonough

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable</u>
At or Below 50% AMI: 30	19%
At or Below 60% AMI: 125	81%

Unit Mix

32 SRO/Studio Units
36 1-Bedroom Units
73 2-Bedroom Units
16 3-Bedroom Units
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157 Total Units

<u>Unit Type & Number</u>	<u>2018 Rents Targeted % of Area Median Income</u>	<u>2018 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
3 SRO/Studio	60%	36%	\$933
2 1 Bedroom	60%	39%	\$1,066
4 2 Bedrooms	60%	36%	\$1,199
2 3 Bedrooms	60%	35%	\$1,332
7 SRO/Studio	50%	40%	\$1,037
7 1 Bedroom	50%	43%	\$1,184
14 2 Bedrooms	50%	40%	\$1,332
2 3 Bedrooms	50%	39%	\$1,480
22 SRO/Studio	60%	48%	\$1,244
15 1 Bedroom	60%	52%	\$1,421
32 2 Bedrooms	60%	48%	\$1,598
5 3 Bedrooms	60%	47%	\$1,776
12 1 Bedroom	60%	26%	\$710
23 2 Bedrooms	60%	24%	\$799
5 3 Bedrooms	60%	23%	\$888
2 3 Bedrooms	Manager's Unit	Manager's Unit	\$1,446

TCAC-confirmed Projected Lifetime Rent Benefit: \$242,926,860

Project Cost Summary at Application

Land and Acquisition	\$1,104,182
Construction Costs	\$77,204,119
Rehabilitation Costs	\$0
Construction Contingency	\$3,728,675
Relocation	\$0
Architectural/Engineering	\$3,812,915
Const. Interest, Perm. Financing	\$7,175,660
Legal Fees, Appraisals	\$78,229
Reserves	\$565,800
Other Costs	\$3,336,984
Developer Fee	\$4,000,000
Commercial Costs	\$3,770,276
Total	\$104,776,840

Residential

Construction Cost Per Square Foot:	\$511
Per Unit Cost:	\$641,231
True Cash Per Unit Cost*:	\$632,122

Construction Financing

Source	Amount
Bank of America	\$60,488,962
SF MOHCD Housing Loan	\$36,843,105
Deferred Costs	\$1,880,849
Deferred Developer Fee	\$1,430,000
Tax Credit Equity	\$4,133,924

Permanent Financing

Source	Amount
Bank of America	\$5,992,000
SF MOHCD Housing Loan	\$46,193,105
HCD AHSC	\$10,000,000
Deferred Developer Fee	\$1,430,000
Tax Credit Equity	\$41,161,735
TOTAL	\$104,776,840

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$95,808,776
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$124,551,409
Applicable Rate:	3.27%
Maximum Annual Federal Credit:	\$4,072,831
Approved Developer Fee in Project Cost:	\$4,000,000
Approved Developer Fee in Eligible Basis:	\$3,666,735
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$1.01064

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$95,808,776
Actual Eligible Basis:	\$95,808,776
Unadjusted Threshold Basis Limit:	\$76,677,968
Total Adjusted Threshold Basis Limit:	\$129,585,767

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 and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 19%

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 3.27% 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.

Significant Information / Additional Conditions

The estimated cost of the project is \$641,231 per unit. This cost is due in part to the high cost of construction in San Francisco which has been experiencing an escalation of construction costs. In addition, an environmental investigation found that the existing structures on site contain lead-based paint and asbestos, and that part of the soil contains arsenic. Environmental remediation of these elements adds cost. Lastly, given the project's location on a busy street and near a highway, mechanical ventilation in all units to mitigate traffic pollution concerns will be provided.

Resyndication and Resyndication Transfer Event: None.

Local Reviewing Agency

The Local Reviewing Agency, San Francisco Mayor's Office of Housing, has completed a site review of this project and strongly supports this project.

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.

CDLAC Additional Conditions

The applicant/owner is required to provide the tenants with the following service amenities free of charge for a minimum of fifteen (15) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC:

- Contract with a full time equivalent bona fide service coordinator / social worker for a minimum number of hours per year on-site