

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
July 18, 2018**

2060 Folsom Family Housing, located at 2060 Folsom Street in San Francisco, requested and is being recommended for a reservation of \$3,475,856 in annual federal tax credits to finance the new construction of 126 units of housing serving large families with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Chinatown Community Development Center and will be located in Senate District 11 and Assembly District 17.

The project has received an award for 29 Local Operation Subsidy Program (LOSP) units for transitional age youth from the City of San Francisco. The project financing includes state funding from the AHSC program of HCD.

Project Number CA-18-604

Project Name 2060 Folsom Family Housing
Site Address: 2060 Folsom Street
San Francisco, CA 94110 County: San Francisco
Census Tract: 0177.00

| Tax Credit Amounts | Federal/Annual | State/Total |
|---------------------------|-----------------------|--------------------|
| Requested: | \$3,475,856 | \$0 |
| Recommended: | \$3,475,856 | \$0 |

Applicant Information

Applicant: 2060 Folsom Housing, L.P.
Contact: Whitney Jones, Director of Housing Development
Address: 1525 Grant Avenue
San Francisco, CA 94133
Phone: 415-984-1450
Email: wjones@chinatowncdc.org

General Partner(s) or Principal Owner(s): CCDC 2060 Folsom LLC
MEDA 2060 Folsom LLC

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

Developer: Chinatown Community Development Center
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: 127
 No. / % of Low Income Units: 126 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt

Bond Information

Issuer: City & County of San Francisco
 Expected Date of Issuance: September 24, 2018

Information

Housing Type: Large Family
 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 Units</u> |
|------------------------------------------------|-----------------------------------------------|
| At or Below 35% AMI: 29 | 23% |
| At or Below 50% AMI: 11 | 9% |
| At or Below 60% AMI: 86 | 68% |

Unit Mix

22 SRO/Studio Units
 15 1-Bedroom Units
 48 2-Bedroom Units
 42 3-Bedroom Units

 127 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> |
|-----------------------------------|----------------------------------------------------------------|----------------------------------------------------------|----------------------------------------------------|
| 22 SRO/Studio | 30% | 10% | \$250 |
| 7 1 Bedroom | 30% | 9% | \$250 |
| 11 2 Bedrooms | 40% | 17% | \$573 |
| 8 1 Bedroom | 60% | 52% | \$1,421 |
| 11 2 Bedrooms | 60% | 48% | \$1,598 |
| 36 3 Bedrooms | 60% | 47% | \$1,776 |
| 25 2 Bedrooms | 55% | 48% | \$1,599 |
| 6 3 Bedrooms | 55% | 47% | \$1,777 |
| 1 2 Bedrooms | Manager's Unit | Manager's Unit | \$0 |

TCAC-confirmed Projected Lifetime Rent Benefit: \$228,424,020

Project Cost Summary at Application

| | |
|----------------------------------|---------------------|
| Land and Acquisition | \$204,302 |
| Construction Costs | \$65,843,806 |
| Rehabilitation Costs | \$0 |
| Construction Contingency | \$3,308,729 |
| Relocation | \$0 |
| Architectural/Engineering | \$3,249,049 |
| Const. Interest, Perm. Financing | \$4,443,118 |
| Legal Fees, Appraisals | \$110,074 |
| Reserves | \$476,599 |
| Other Costs | \$2,920,296 |
| Developer Fee | \$4,000,000 |
| Commercial Costs | \$2,696,311 |
| Total | \$87,252,284 |

Residential

| | |
|------------------------------------|-----------|
| Construction Cost Per Square Foot: | \$513 |
| Per Unit Cost: | \$664,900 |
| True Cash Per Unit Cost*: | \$642,854 |

Construction Financing

| <u>Source</u> | <u>Amount</u> |
|------------------------|---------------|
| Citibank | \$50,639,862 |
| SF MOHCD Housing Loan | \$29,507,110 |
| Deferred Costs | \$1,098,490 |
| General Partner Equity | \$100 |
| Deferred Developer Fee | \$2,799,900 |
| Tax Credit Equity | \$3,206,822 |

Permanent Financing

| <u>Source</u> | <u>Amount</u> |
|------------------------------|---------------------|
| Citibank | \$6,776,000 |
| SF MOHCD Housing Loan | \$33,207,110 |
| HCD - AHSC | \$9,300,000 |
| Federal Home Loan Bank - AHP | \$1,930,950 |
| General Partner Equity | \$100 |
| Deferred Developer Fee | \$2,799,900 |
| Tax Credit Equity | \$33,238,224 |
| TOTAL | \$87,252,284 |

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

Determination of Credit Amount(s)

| | |
|-------------------------------------------|--------------------------------------------|
| Requested Eligible Basis: | \$81,765,624 |
| 130% High Cost Adjustment: | Yes |
| Applicable Fraction: | 100.00% |
| Qualified Basis: | \$106,295,311 |
| Applicable Rate: | 3.27% |
| Total Maximum Annual Federal Credit: | \$3,475,856 |
| Approved Developer Fee in Project Cost: | \$4,000,000 |
| Approved Developer Fee in Eligible Basis: | \$3,886,364 |
| Investor/Consultant: | California Housing Partnership Corporation |
| Federal Tax Credit Factor: | \$0.95626 |

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: | \$81,765,624 |
| Actual Eligible Basis: | \$81,765,624 |
| Unadjusted Threshold Basis Limit: | \$68,126,812 |
| Total Adjusted Threshold Basis Limit: | \$113,090,507 |

Adjustments to Basis Limit

Day Care Center

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: 8%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 46%

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 \$664,900 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, four ground-floor commercial spaces will serve residents as well as the broader community with childcare, nonprofit family and social services, leadership development programs and a cafe. The project is also in a low-lying area of San Francisco which has a high water table. To reduce the risk of flood damage, the building is elevated 18-24" above grade. Raising the building adds to site concrete costs for ramps, stairs

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 complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The project commits to becoming certified under GreenPoint Rated Multifamily Guidelines
- The project commits to having at least 1 building subject to a policy developed by the owner that prohibits smoking in contiguous designated units.
- The project commits to a parking ratio equivalent of 1 parking stall or less per SRO and 1-bedroom restricted rental units, and 1.5 parking stall or less per 2-bedroom and larger restricted rental units.