

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

July 18, 2018

490 South Van Ness Ave, located at 490 South Van Ness Ave. in San Francisco, requested and is being recommended for a reservation of \$2,435,706 in annual federal tax credits to finance the new construction of 80 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 will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

Project Number CA-18-773

Project Name 490 South Van Ness Ave.
Site Address: 490 South Van Ness Ave.
San Francisco, CA 94013 County: San Francisco
Census Tract: 201.00

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,435,706	\$0
Recommended:	\$2,435,706	\$0

Applicant Information

Applicant: 490 SVN 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): 490 SVN Housing Associates, LLC
General Partner Type: Nonprofit
Parent Companies: BRIDGE Housing Corporation
Mission Housing Development Corporation
Developer: BRIDGE Housing Corporation
Mission Housing Development Corporation
Investor/Consultant: Bank of America
Management Agent: BRIDGE Property Management Company

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 81
No. / % of Low Income Units: 80 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HUD Section 8 Project Based Vouchers (20 units - 25%)

Bond Information

Issuer: City of San Francisco
Expected Date of Issuance: August 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 Units</u>
At or Below 50% AMI: 21	26%
At or Below 60% AMI: 59	74%

Unit Mix

2 SRO/Studio Units
44 1-Bedroom Units
30 2-Bedroom Units
5 3-Bedroom Units
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81 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>
11 1 Bedroom	60%	26%	\$710
8 2 Bedrooms	60%	24%	\$799
1 3 Bedrooms	60%	23%	\$888
4 1 Bedroom	50%	34%	\$947
3 2 Bedrooms	50%	32%	\$1,066
1 3 Bedrooms	50%	31%	\$1,184
7 1 Bedroom	50%	43%	\$1,184
5 2 Bedrooms	50%	40%	\$1,332
1 3 Bedrooms	50%	39%	\$1,480
2 SRO/Studio	60%	48%	\$1,244
22 1 Bedroom	60%	52%	\$1,421
14 2 Bedrooms	60%	48%	\$1,598
1 3 Bedrooms	60%	47%	\$1,776
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$120,074,460

Project Cost Summary at Application

Land and Acquisition	\$117,652
Construction Costs	\$44,062,059
Rehabilitation Costs	\$0
Construction Contingency	\$2,091,911
Relocation	\$0
Architectural/Engineering	\$2,547,400
Const. Interest, Perm. Financing	\$4,368,020
Legal Fees, Appraisals	\$194,641
Reserves	\$372,574
Other Costs	\$2,507,031
Developer Fee	\$4,000,000
Commercial Costs	\$311,031
Total	\$60,572,319

Residential

Construction Cost Per Square Foot:	\$551
Per Unit Cost:	\$743,569
True Cash Per Unit Cost*:	\$723,115

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Bank of America	\$35,172,500	Barings Loan	\$6,190,000
SF MOHCD Housing Loan	\$19,764,702	SF MOHCD Housing Loan	\$27,837,398
Deferred Costs	\$1,340,375	Deferred Developer Fee	\$2,000,000
Deferred Developer Fee	\$2,000,000	Tax Credit Equity	\$24,544,921
Tax Credit Equity	\$2,294,742	TOTAL	\$60,572,319

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$57,297,259
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$74,486,437
Applicable Rate:	3.27%
Total Maximum Annual Federal Credit:	\$2,435,706
Approved Developer Fee in Project Cost:	\$4,000,000
Approved Developer Fee in Eligible Basis:	\$3,967,780
Investor/Consultant:	Bank of America
Federal Tax Credit Factor:	\$1.00771

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.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$57,297,259
Actual Eligible Basis:	\$57,297,259
Unadjusted Threshold Basis Limit:	\$38,940,536
Total Adjusted Threshold Basis Limit:	\$60,747,236

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: 26%

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 \$747,806 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, because of the current soil conditions, earthwork is required to strengthen the soil and support the mat slab foundation and the building. Drilled displacement columns will be added in one section of the site and over excavation and recompaction will be performed in the remainder of the site. Furthermore, the developer will need to abate the site for asbestos and lead-based paint material that may be present as well as follow the preliminary Soil Mitigation Plan that was approved by SFHDH which includes removing soil containing hazardous material, remove the existing hydraulic lifts, dewater and install vapor barrier on the site.

Resyndication and Resyndication Transfer Event: None.

Local Reviewing Agency

The Local Reviewing Agency, the 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:

- Wellness services and programs providing individualized support for tenants on-site
- Contract with a full time equivalent bona fide service coordinator / social worker for a minimum number of hours per year on-site

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 Leadership in Energy & Environmental Design (LEED); GreenPoint Rated Multifamily Guidelines.
- 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.