CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 17, 2018

Market Heights Apartments, located at 1000 Tompkins Avenue and 211-291 Putnam Street in San Francisco, requested and is being recommended for a reservation of $1,112,188 in annual federal tax credits to finance the acquisition and rehabilitation of 45 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Bernal Heights Housing Corporation and is located in Senate District 11 and Assembly District 17.

Market Heights Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Putnam-Tompkins (CA-93-168). See Resyndication and Resyndication Transfer Event below for additional information. The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

Project Number CA-18-636

Project Name Market Heights Apartments
Site Address: 1000 Tompkins Avenue and 211-291 Putnam Street
San Francisco, CA 94110 County: San Francisco
Census Tract: 254.02

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,112,188	$0
Recommended:	$1,112,188	$0

Applicant Information
Applicant: Market Heights 2, LP
Contact: Gina Dacus
Address: 515 Cortland Ave
San Francisco, CA 94110
Phone: 415-206-2140
Email: gdacus@bhnc.org

General Partner(s) or Principal Owner(s): RPMH, LLC
Devine Bernal, LLC
General Partner Type: Joint Venture
Parent Company(ies): Bernal Heights Housing Corporation
Devine & Gong, Inc.
Developer: Bernal Heights Housing Corporation
Investor/Consultant: Enterprise Community
Management Agent: Caritas Management Corporation

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	3
Total # of Units:	46
No. / % of Low Income Units:	45 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Project Based Vouchers (22 units - 48%)

Bond Information

Issuer:	City and County of San Francisco - Mayor's Office of Housing
Expected Date of Issuance:	October 17, 2018

Information

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

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
At or Below 50% AMI:	11	24%
At or Below 60% AMI:	34	76%

Unit Mix

6	1-Bedroom Units
16	2-Bedroom Units
22	3-Bedroom Units
2	4-Bedroom Units
46	Total Units

Unit Type & Number		2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
1	1 Bedroom	50%	50%	$1,375
2	1 Bedroom	60%	54%	$1,494
3	1 Bedroom	60%	60%	$1,650
3	2 Bedrooms	50%	44%	$1,468
4	2 Bedrooms	60%	46%	$1,523
8	2 Bedrooms	60%	60%	$1,980
7	3 Bedrooms	50%	40%	$1,515
5	3 Bedrooms	60%	44%	$1,661
10	3 Bedrooms	60%	60%	$2,287
1	4 Bedrooms	60%	43%	$1,819
1	4 Bedrooms	60%	60%	$2,551
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

TCAC-confirmed Projected Lifetime Rent Benefit: $69,362,700

Project Cost Summary at Application	
Land and Acquisition	$22,472,697
Construction Costs	$0
Rehabilitation Costs	$3,880,384
Construction Contingency	$582,058
Relocation	$685,000
Architectural/Engineering	$281,000
Const. Interest, Perm. Financing	$1,423,832
Legal Fees, Appraisals	$301,500
Reserves	$1,025,441
Other Costs	$433,617
Developer Fee	$4,144,384
Commercial Costs	$0
Total	**$35,229,913**

Residential

Construction Cost Per Square Foot:	$92
Per Unit Cost:	$765,868
True Cash Per Unit Cost*:	$527,102

Construction Financing

Source	Amount
Capital One - Private Placement	$18,000,000
Seller Carryback	$9,865,942
Existing Reserve	$1,337,697
Deferred Costs	$4,640,616
General Partner Equity	$100
Tax Credit Equity	$1,385,558

Permanent Financing

Source	Amount
Freddie Mac	$11,817,058
Seller Carryback	$9,865,942
Existing Reserve	$1,337,697
Deferred Developer Fee	$1,644,384
General Partner Equity	$100
Tax Credit Equity	$10,564,732
TOTAL	**$35,229,913**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$7,460,884
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$24,312,725
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$9,699,149
Qualified Basis (Acquisition):	$24,312,725
Applicable Rate:	3.27%
Maximum Annual Federal Credit, Rehabilitation:	$317,162
Maximum Annual Federal Credit, Acquisition:	$795,026
Total Maximum Annual Federal Credit:	$1,112,188
Approved Developer Fee (in Project Cost & Eligible Basis):	$4,144,384
Investor/Consultant:	Enterprise Community
Federal Tax Credit Factor:	$0.94991

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:	$31,773,609
Actual Eligible Basis:	$31,773,609
Unadjusted Threshold Basis Limit:	$27,240,664
Total Adjusted Threshold Basis Limit:	$39,226,556

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

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 24%

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 $765,868 per unit. This is due in part to high real estate costs, the high cost of construction, the uneven topography at Market Heights, prevailing wages.

Resyndication and Resyndication Transfer Event

Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-93-168). To be eligible for a new award of tax credits, the owner must provide documentation with the Form 8609 request (the placed in service submission) that the acquisition date and the placed in service date both occurred after the existing federal 15 year compliance period was completed. The newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreement and any deeper targeting levels in the new regulatory agreement for the duration of the new regulatory agreement. Existing households determined to be income-qualified for purposes of IRC §42 credit during the 15-year compliance period are concurrently income-qualified households for purposes of the extended use agreement. As a result, any household determined to be income qualified at the time of move-in under the existing regulatory agreement (CA-93-168) is a qualified low-income household for the subsequent allocation (existing household eligibility is "grandfathered").

The project is a resyndication occurring concurrently with a Transfer Event with distribution of Net Project Equity. The project is currently subject to a Capital Needs Agreement due to a prior Transfer Event. There is a capitalized replacement reserve in the amount of $115,000 which will continue to stay with the project. This Subsequent Transfer Event requires either a seller carryback note or a general partner equity contribution in the amount of $117,625. There is a seller carryback note in the amount of $9,865,942 satisfying such requirement.

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.

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: None