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

1990 Folsom, located at 1990 Folsom Street in San Francisco, requested and is being recommended for a reservation of $3,912,790 in annual federal tax credits to finance the new construction of 142 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Tenderloin Neighborhood Development Corporation and will be located in Senate District 11 and Assembly District 12.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

Project Number CA-18-778

Project Name 1990 Folsom
Site Address: 1990 Folsom Street
San Francisco, CA 94103 County: San Francisco
Census Tract: 177.00

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$3,912,790	$0
Recommended:	$3,912,790	$0

Applicant Information

Applicant:	1990 Folsom Housing Associates, L.P.
Contact:	Sarah White
Address:	201 Eddy Street San Francisco, CA 94102
Phone:	415-358-3966
Email:	swhite@tndc.org

General Partner(s) or Principal Owner(s):	1990 Folsom TNDC GP LLC MEDA 1990 Folsom LLC
General Partner Type:	Nonprofit
Parent Company(ies):	Tenderloin Neighborhood Development Corporation Mission Economic Development Agency
Developer:	Tenderloin Neighborhood Development Corporation
Investor/Consultant:	California Housing Partnership Corporation
Management Agent:	Tenderloin Neighborhood Development Corporation

Project Information

Construction Type:	New Construction
Total # Residential Buildings:	Yes
Total # of Units:	143
No. / % of Low Income Units:	142 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt Section 8 Project Based Vouchers (36 units - 25%)

Bond Information

Issuer:	Mayor's Office of Housing and Community Development
Expected Date of Issuance:	February 4, 2019

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:	51	36%
At or Below 60% AMI:	91	64%

Unit Mix

23	SRO/Studio Units
48	1-Bedroom Units
61	2-Bedroom Units
11	3-Bedroom Units
143	Total Units

	Unit Type & Number	2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
1	SRO/Studio	50%	32%	$829
5	SRO/Studio	60%	40%	$1,036
4	SRO/Studio	60%	48%	$1,244
13	SRO/Studio	60%	60%	$1,540
5	1 Bedroom	50%	34%	$948
12	1 Bedroom	60%	43%	$1,184
10	1 Bedroom	60%	52%	$1,420
7	1 Bedroom	60%	60%	$1,650
7	2 Bedrooms	50%	32%	$1,065
16	2 Bedrooms	60%	40%	$1,333
12	2 Bedrooms	60%	48%	$1,599
6	2 Bedrooms	60%	60%	$1,980
2	3 Bedrooms	50%	31%	$1,184
3	3 Bedrooms	60%	39%	$1,480
2	3 Bedrooms	60%	47%	$1,776
1	3 Bedrooms	60%	60%	$2,287
14	1 Bedroom	50%	43%	$1,184
19	2 Bedrooms	50%	40%	$1,333
3	3 Bedrooms	50%	39%	$1,480
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

TCAC-confirmed Projected Lifetime Rent Benefit: $279,049,980

Project Cost Summary at Application	
Land and Acquisition	$497,978
Construction Costs	$66,968,346
Rehabilitation Costs	$0
Construction Contingency	$3,201,030
Relocation	$56,854
Architectural/Engineering	$3,995,225
Const. Interest, Perm. Financing	$7,043,344
Legal Fees, Appraisals	$170,926
Reserves	$1,104,369
Other Costs	$5,069,445
Developer Fee	$9,836,716
Commercial Costs	$0
Total	**$97,944,233**

Residential

Construction Cost Per Square Foot:	$485
Per Unit Cost:	$684,925
True Cash Per Unit Cost*:	$673,633

Construction Financing

Source	Amount
JP Morgan Chase	$57,908,250
SF MOHCD Loan	$24,631,536
AHP	$1,420,000
Deferred Developer Fee	$2,288,358
General Partner Equity	$4,918,358
Tax Credit Equity	$3,760,790

Permanent Financing

Source	Amount
JP Morgan Chase	$17,291,000
SF MOHCD Loan	$32,954,616
AHP	$1,420,000
Income from Operations	$96,000
Deferred Developer Fee	$2,288,358
General Partner Equity	$4,918,358
Tax Credit Equity	$38,975,901
TOTAL	**$97,944,233**

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

Determination of Credit Amount(s)

Requested Eligible Basis:	$92,043,991
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	$119,657,188
Applicable Rate:	3.27%
Total Maximum Annual Federal Credit:	$3,912,790
Approved Developer Fee (in Project Cost & Eligible Basis):	$9,836,716
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	$0.99612

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:	$92,043,991
Actual Eligible Basis:	$92,043,991
Unadjusted Threshold Basis Limit:	$68,858,316
Total Adjusted Threshold Basis Limit:	$92,958,727

Adjustments to Basis Limit

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 35%

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 total development cost per unit is $684,925. Some factors attributing to this are prevailing wages, construction staging in a fully-developed, dense urban area triggers added costs including security, tower crane, personnel hoist, scaffolding, etc. Additionally as part of the NEPA assessment between the City and County of San Francisco and the California State Historic Preservation Officer (SHPO) this project is required to have all work done under the direct supervision of an archaeological consultant.

Resyndication and Resyndication Transfer Event: None

Local Reviewing Agency
The Local Reviewing Agency, City and County of San Francisco Mayor's Office of Housing and Community Development, 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 Leadership in Energy & Environmental Design (LEED); Green Communities / Passive House Institute US (PHIUS) / Passive House / Living Building Challenge / GreenPoint Rated Multifamily Guidelines / WELL
- 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.