

# **CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

## **Project Staff Report Tax-Exempt Bond Project December 12, 2018**

88 Broadway, located at 88 Broadway Street in San Francisco, requested and is being recommended for a reservation of \$3,603,194 in annual federal tax credits to finance the new construction of 114 units of housing serving tenant with rents affordable to households earning 50-80% of area median income (AMI). The project will be developed by BRIDGE Housing Corporation and John Stewart Company 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-18-655

**Project Name** 88 Broadway  
Site Address: 88 Broadway Street  
San Francisco, CA 94111 County: San Francisco  
Census Tract: 105.00

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$3,603,194	\$0
Recommended:	\$3,603,194	\$0

### **Applicant Information**

Applicant: 88 Broadway Family, LP  
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): 88 Broadway Family BRIDGE, LLC  
General Partner Type: Nonprofit  
Parent Company(ies): BRIDGE Housing Corporation and John Stewart Company  
MCB Family Housing, Inc. and John Stewart Company  
Developer: BRIDGE Housing Corporation and John Stewart Company  
Investor/Consultant: California Housing Partnership Corporation  
Management Agent: John Stewart Company

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 1  
 Total # of Units: 125  
 No. / % of Low Income Units: 114 91.94%  
 Federal Set-Aside Elected: 40%/60% Average Income  
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project Based Vouchers (31 units - 27%)

**Bond Information**

Issuer: City and County of San Francisco  
 Expected Date of Issuance: April 1, 2019

**Information**

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

**55-Year Use / Affordability**

<b>Aggregate Targeting</b>		<b>Percentage of</b>
<b>Number of Units</b>		<b>Affordable</b>
		<b>Units</b>
At or Below 50% AMI:	44	39%
At or Below 60% AMI:	59	52%
At or Below 80% AMI:	11	10%

**Unit Mix**

16 SRO/Studio Units  
 37 1-Bedroom Units  
 48 2-Bedroom Units  
 24 3-Bedroom Units  


---

 125 Total Units

<b>Unit Type &amp; Number</b>		<b>2018 Rents Targeted % of Area Median Income</b>	<b>2018 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
1	SRO/Studio	60%	24%	\$622
2	1 Bedroom	60%	26%	\$710
1	2 Bedrooms	60%	24%	\$799
1	3 Bedrooms	60%	23%	\$888
3	SRO/Studio	50%	40%	\$1,037
6	1 Bedroom	50%	43%	\$1,184
8	2 Bedrooms	50%	40%	\$1,332
5	3 Bedrooms	50%	39%	\$1,480
7	SRO/Studio	60%	48%	\$1,244
13	1 Bedroom	60%	52%	\$1,421
17	2 Bedrooms	60%	48%	\$1,598
8	3 Bedrooms	60%	47%	\$1,776
1	SRO/Studio	80%	65%	\$1,658
3	1 Bedroom	80%	69%	\$1,894
6	2 Bedrooms	80%	65%	\$2,131
1	3 Bedrooms	80%	62%	\$2,368
2	SRO/Studio	50%	40%	\$1,037
7	1 Bedroom	50%	43%	\$1,184
9	2 Bedrooms	50%	40%	\$1,332
4	3 Bedrooms	50%	39%	\$1,480
1	SRO/Studio	60%	48%	\$1,244
3	1 Bedroom	60%	52%	\$1,421
3	2 Bedrooms	60%	48%	\$1,598
2	3 Bedrooms	60%	47%	\$1,776
1	3 Bedrooms	Manager's Unit	Manager's Unit	\$0
1	SRO/Studio	Market Rate Unit	Market Rate Unit	\$2,016
1	1 Bedroom	Market Rate Unit	Market Rate Unit	\$2,299
2	2 Bedrooms	Market Rate Unit	Market Rate Unit	\$2,569
1	3 Bedrooms	Market Rate Unit	Market Rate Unit	\$2,834
2	1 Bedroom	Market Rate Unit	Market Rate Unit	\$2,773
2	2 Bedrooms	Market Rate Unit	Market Rate Unit	\$3,102
1	3 Bedrooms	Market Rate Unit	Market Rate Unit	\$3,426

TCAC-confirmed Projected Lifetime Rent Benefit: \$232,701,480

**Project Cost Summary at Application**

Land and Acquisition	\$71,918
Construction Costs	\$67,717,375
Rehabilitation Costs	\$0
Construction Contingency	\$3,224,637
Relocation	\$0
Architectural/Engineering	\$3,261,190
Const. Interest, Perm. Financing	\$6,951,706
Legal Fees, Appraisals	\$334,086
Reserves	\$645,622
Other Costs	\$3,834,053
Developer Fee	\$12,236,184
Commercial Costs	\$2,798,580
<b>Total</b>	<b>\$101,075,351</b>

**Residential**

Construction Cost Per Square Foot:	\$663
Per Unit Cost:	\$783,016
True Cash Per Unit Cost*:	\$733,864

**Construction Financing**

Source	Amount
Bank of America	\$55,280,000
SF MOHCD Loan	\$29,897,002
Accrued Interest	\$306,044
Deferred Developer Fee	\$10,076,184
Tax Credit Equity	\$3,492,758

**Permanent Financing**

Source	Amount
Bank of America	\$17,794,000
SF MOHCD Loan	\$33,020,095
Accrued Interest	\$306,044
AHP	\$1,140,000
Commercial Proceeds	\$2,168,946
Deferred Developer Fee	\$10,076,184
Tax Credit Equity	\$36,570,082
<b>TOTAL</b>	<b>\$101,075,351</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$93,410,950
130% High Cost Adjustment:	Yes
Applicable Fraction:	90.74%
Qualified Basis:	\$110,189,427
Applicable Rate:	3.27%
Total Maximum Annual Federal Credit:	\$3,603,194
Approved Developer Fee in Project Cost:	\$12,236,184
Approved Developer Fee in Eligible Basis:	\$11,836,387
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$1.01494

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:	\$93,410,950
Actual Eligible Basis:	\$93,410,950
Unadjusted Threshold Basis Limit:	\$63,350,028
Total Adjusted Threshold Basis Limit:	\$109,228,549

### **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

Day Care Center

One or more Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- New construction: project buildings are at least 15% more energy efficient than 2016 Energy Efficiency Standards (California Code of Regulations, Title 24, Part 6) as indicated in TCAC Regulations.

Local Development Impact Fees

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: 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 expense 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**

Development costs are roughly \$733,864 per unit. The factors affecting this cost include prevailing wage, high costs associated with an infill site, as well as costs associated with low-quality of the soil requiring environmental mitigation.

The project contains commercial space that will be sold at or prior to placed in service for the cost to build this space. At preliminary reservation the cost to build the commercial space is estimated to be \$2,168,946.

This project is the first phase of a concurrent four percent (4%) application, 735 Davis (CA-18-658). 88 Broadway and 735 Davis are being developed as multiple simultaneous phases using the same credit type pursuant to TCAC Regulation Section 10327(c)(2)(C). The developer fees for 88 Broadway and 735 Davis comply with the requirements for simultaneous phases.

**Resyndication and Resyndication Transfer Event:** None

**Local Reviewing Agency**

The Local Reviewing Agency, The City and County of San Francisco, 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:

- Instructor-led educational classes, health and wellness or skill-building classes on-site for a minimum of 84 hours per year