CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 12, 2018

735 Davis, located at 735 Davis Street in San Francisco, requested and is being recommended for a reservation of $1,592,559 in annual federal tax credits to finance the new construction of 52 units of housing serving seniors with rents affordable to households earning 50-70% 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.

Project Number CA-18-658

Project Name 735 Davis
Site Address: 735 Davis Street
San Francisco, CA 94111 County: San Francisco
Census Tract: 105.00

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,592,559	$0
Recommended:	$1,592,559	$0

Applicant Information
Applicant: 735 Davis Senior, 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): 735 Davis Senior BRIDGE, LLC
General Partner Type: Nonprofit
Parent Company(ies): BRIDGE Housing Corporation
John Stewart Company and MCB Family Housing, Inc.
Developer: BRIDGE Housing Corporation/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: 53
No. / % of Low Income Units: 52 100.00%
Federal Set-Aside Elected: 40%/60% Average Income
Federal Subsidy: Tax-Exempt

Bond Information

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

Information

Housing Type:	Seniors
Geographic Area:	San Francisco County
TCAC Project Analyst:	Tiffani Negrete

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
At or Below 50% AMI:	25	48%
At or Below 60% AMI:	19	37%
At or Below 70% AMI:	8	15%

Unit Mix

23 SRO/Studio Units
29 1-Bedroom Units
1 2-Bedroom Units
53 Total Units

Unit Type & Number		2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
7	SRO/Studio	50%	24%	$622
8	1 Bedroom	50%	26%	$710
6	SRO/Studio	50%	40%	$1,037
4	1 Bedroom	50%	43%	$1,184
9	SRO/Studio	60%	48%	$1,244
10	1 Bedroom	60%	52%	$1,421
1	SRO/Studio	70%	57%	$1,451
7	1 Bedroom	70%	60%	$1,658
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

TCAC-confirmed Projected Lifetime Rent Benefit: $74,389,920

Project Cost Summary at Application

Land and Acquisition	$31,562
Construction Costs	$26,502,479
Rehabilitation Costs	$0
Construction Contingency	$1,262,023
Relocation	$0
Architectural/Engineering	$1,759,746
Const. Interest, Perm. Financing	$2,698,500
Legal Fees, Appraisals	$255,868
Reserves	$141,019
Other Costs	$1,828,204
Developer Fee	$4,892,536
Commercial Costs	$512,839
Total	**$39,884,776**

Residential

Construction Cost Per Square Foot:	$875
Per Unit Cost:	$741,993
True Cash Per Unit Cost*:	$669,579

Construction Financing

Source	Amount
Bank of America - T.E. Bonds	$21,885,000
SF MOHCD Loan	$11,875,492
Deferred Developer Fee	$3,892,536
Tax Credit Equity	$1,441,910

Permanent Financing

Source	Amount
SF MOHCD Loan	$18,851,516
AHP	$520,000
Commercial Proceeds	$559,127
Deferred Developer Fee	$3,892,536
Tax Credit Equity	$16,061,598
TOTAL	**$39,884,776**

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

Determination of Credit Amount(s)

Requested Eligible Basis:	$37,463,152
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	$48,702,098
Applicable Rate:	3.27%
Total Maximum Annual Federal Credit:	$1,592,559
Approved Developer Fee in Project Cost:	$4,892,536
Approved Developer Fee in Eligible Basis:	$4,846,248
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	$1.00854

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:	$37,463,152
Actual Eligible Basis:	$37,463,152
Unadjusted Threshold Basis Limit:	$21,786,872
Total Adjusted Threshold Basis Limit:	$38,780,632

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: 48%

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

Development costs are approximately $667,579 per unit. The factors affecting this cost include prevailing wage and local-hire/small business requirements, lack of economics of scale for a small development, high costs for an infill site near several popular amenities, seismic strengthening requirements, and environmental mitigation related to soil liquefaction and benzene contamination.

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 commericial space is estimated to be $559,127.

This project is the second phase of a concurrent four percent (4%) application, 88 Broadway (CA-18-655). 735 Davis and 88 Broadway 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 735 Davis and 88 Broadway comply with the requirements for simultaneous phases.

Resyndication and Resyndication Transfer Event. None.

Local Reviewing Agency

The Local Reviewing Agency, 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