CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
January 16, 2019

Abel Gonzales Apartments, located at 1045 Capp Street in San Francisco, requested and is being recommended for a reservation of $820,093 in annual federal tax credits to finance the acquisition and rehabilitation of 29 units of housing serving tenants with rents affordable to households earning 50-80% of area median income (AMI). The project will be developed by Mission Housing Development Corporation and is located in Senate District 11 and Assembly District 17.

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

Project Number CA-19-412

Project Name Abel Gonzales Apartments
Site Address: 1045 Capp Street
San Francisco, CA 94110 County: San Francisco
Census Tract: 209.00

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$820,093	$0
Recommended:	$820,093	$0

Applicant Information

Applicant:	MHDC Abel Gonzales LP
Contact:	John Lovell
Address:	474 Valencia Street, Suite 280 San Francisco, CA 94103
Phone:	(415) 864-6432
Email:	jlovell@missionhousing.org

General Partner(s) or Principal Owner(s):	Mission Housing Development Properties Two, Inc.
General Partner Type:	Nonprofit
Parent Company(ies):	Mission Housing Development Corporation
Developer:	Mission Housing Development Corporation
Investor/Consultant:	Community Economics
Management Agent:	Caritas Management Corporation

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	1
Total # of Units:	30
No. / % of Low Income Units:	29 100.00%
Federal Set-Aside Elected:	40%/60% Average Income
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Contract (29 Units / 100%)

Bond Information

Issuer:	Mayor's Office of Housing and Community Development
Expected Date of Issuance:	March 29, 2019

Information

Housing Type:	Non-Targeted
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:	28	97%
At or Below 80% AMI:	1	3%

Unit Mix

9	SRO/Studio Units
21	1-Bedroom Units
30	Total Units

Unit Type & Number		2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
3	SRO/Studio	50%	50%	$1,283
6	SRO/Studio	50%	50%	$1,283
3	1 Bedroom	50%	50%	$1,375
16	1 Bedroom	50%	50%	$1,375
1	1 Bedroom	80%	80%	$2,200
1	1 Bedroom	Manager’s Unit	Manager’s Unit	$0

TCAC-confirmed Projected Lifetime Rent Benefit: $30,262,320

Project Cost Summary at Application	
Land and Acquisition	$11,369,500
Construction Costs	$0
Rehabilitation Costs	$5,716,869
Construction Contingency	$857,530
Relocation	$450,000
Architectural/Engineering	$546,000
Const. Interest, Perm. Financing	$1,779,191
Legal Fees, Appraisals	$0
Reserves	$500,090
Other Costs	$442,501
Developer Fee	$2,899,838
Commercial Costs	$0
Total	**$24,561,519**

Residential

Construction Cost Per Square Foot:	$347
Per Unit Cost:	$818,717
True Cash Per Unit Cost*:	$531,115

Construction Financing

Source	Amount
Boston Private - T.E. Bonds	$12,442,500
Seller Carryback Loan	$7,394,944
Replacement Reserves	$500,910
General Partner Equity	$1,000
Tax Credit Equity	$1,500,000

Permanent Financing

Source	Amount
Boston Private - T.E. Bonds	$6,241,657
Seller Carryback Loan	$7,394,944
Accrued Interest	$223,327
Developer Loan	$664,713
Replacement Reserves	$500,910
Operating Income	$221,741
Deferred Developer Fee	$1,233,119
General Partner Equity	$1,000
Tax Credit Equity	$8,080,108
TOTAL	**$24,561,519**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$9,490,666
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$12,741,425
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$12,337,866
Qualified Basis (Acquisition):	$12,741,425
Applicable Rate:	3.27%
Maximum Annual Federal Credit, Rehabilitation:	$403,448
Maximum Annual Federal Credit, Acquisition:	$416,645
Total Maximum Annual Federal Credit:	$820,093
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,899,838
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	$0.98527

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:	$22,232,091
Actual Eligible Basis:	$22,232,091
Unadjusted Threshold Basis Limit:	$12,513,120
Total Adjusted Threshold Basis Limit:	$26,277,552

Adjustments to Basis Limit
One or more Energy Efficiency/Resource Conservation/Indoor Air Quality Features:
● Project has onsite renewable generation estimated to produce 75% or more of annual common area electricity use as indicated in TCAC Regulations.
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: 96%

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 $531,115 per unit. The factors affecting this cost include high real estate costs for the area, modification of units to meet ADA requirements, increased costs for construction services and materials, upgrading the electrical service capacity and fire alarm systems to comply with building codes, and new facilities to divert waste products from landfills in compliance with city regulations.

Resyndication and Resyndication Transfer Event: None

Local Reviewing Agency
The Local Reviewing Agency, the 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 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
- 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 rehabilitation project commits to improve energy efficiency above the modeled energy consumption of the building(s) by a 15% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERS II) post rehabilitation.
- The project commits to having at least 1 building subject to a policy developed by the owner that prohibits smoking in contiguous designated units.
- 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.