

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2019 First Round
June 12, 2019

Casa de la Mision, located at 3001-3021 24th Street in San Francisco, requested and is being recommended for a reservation of \$2,500,000 in annual federal tax credits to finance the new construction of 44 units of housing serving seniors with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by Mercy Housing California and will be located in Senate District 11 and Assembly District 17.

Project Number CA-19-057

Project Name Casa de la Mision
 Site Address: 3001-3021 24th Street
 San Francisco, CA 94110 County: San Francisco
 Census Tract: 22901.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,500,000	\$0
Recommended:	\$2,500,000	\$0

Applicant Information

Applicant: Mercy Housing California, 59 L.P.
 Contact: Barbara Gualco
 Address: 1256 Market Street
 San Francisco, CA 94102
 Phone: 415.355.7117
 Email: bgualco@mercyhousing.org

General Partner(s) / Principal Owner(s): Mercy Housing Calwest
 General Partner Type: Nonprofit
 Parent Company(ies): Mercy Housing Inc.
 Developer: Mercy Housing California
 Investor/Consultant: Community Economics
 Management Agent(s): Mercy Housing Management Group

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 45
 No. & % of Tax Credit Units: 44 100%
 Federal Set-Aside Elected: 40%/60%

Information

Set-Aside: N/A
 Housing Type: Seniors
 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 30% AMI:	5	10%
At or Below 45% AMI:	9	20%
At or Below 50% AMI:	30	40%

Unit Mix

44 SRO/Studio Units
 1 1-Bedroom Units

 45 Total Units

Unit Type & Number	2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
5 SRO/Studio	30%	30%	\$770
9 SRO/Studio	45%	45%	\$1,155
30 SRO/Studio	50%	50%	\$1,283
1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$3,143,751
Construction Costs	\$17,423,004
Rehabilitation Costs	\$0
Construction Contingency	\$1,150,150
Relocation	\$0
Architectural/Engineering	\$1,137,131
Const. Interest, Perm. Financing	\$1,867,934
Legal Fees	\$28,500
Reserves	\$169,269
Other Costs	\$1,102,383
Developer Fee	\$2,015,567
Commercial Costs	\$1,332,411
Total	\$29,370,100

Residential

Construction Cost Per Square Foot:	\$782
Per Unit Cost:	\$620,820
True Cash Per Unit Cost*:	\$620,820

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Silicon Valley Bank	\$20,460,264	Developer Loan	\$5,000,000
Developer Loan	\$5,000,000	General Partner Equity	\$100
Tax Credit Equity	\$2,450,000	Tax Credit Equity	\$24,370,000
		TOTAL	\$29,370,100

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$21,367,521
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$27,777,777
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,500,000
Approved Developer Fee in Project Cost:	\$2,015,567
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	\$0.97480

The “as if vacant” land value and the existing improvement value established at application, 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, unless a waiver has been granted for a purchase price not to exceed the sum of third party debt that will be assumed or paid off. 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:	\$21,367,521
Actual Eligible Basis:	\$23,168,944
Unadjusted Threshold Basis Limit:	\$16,414,286
Total Adjusted Threshold Basis Limit:	\$21,376,851

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
 Local Development Impact Fees
 95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

Initial:	Letter of Support
First:	Seniors
Final:	7.838%

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 meet or 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 9.0% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.30%. 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 \$620,820 per unit. This is due to high real estate costs, lack of economies of scale for 44 studio units, and constructing a 5-story building with an elevator.

Resyndication and Resyndication Transfer Event: None

Legal Status

Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

Local Reviewing Agency

The Local Reviewing Agency, 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

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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 performance deposit and allocation 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.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of fifteen years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(5) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

Points System	Max. Possible Points	Requested Points	Points Awarded
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ¼ mile of transit, service every 30 minutes in rush hours	6	6	6
Within ½ mile of school grounds/facilities open to public with JUA	3	3	3
Within ½ mile of public library	3	3	3
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Senior project within ½ mile of daily operated senior center/facility	3	3	3
Within ½ mile of medical clinic or hospital	3	3	3
Within ½ mile of a pharmacy	2	2	2
Service Amenities	10	10	5
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 36 hrs/yr instruction	3	3	0
Health & wellness services and programs, minimum 40 hrs per 100 bdrms	2	2	0
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements: GreenPoint Rated Program	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
Readiness to Proceed	10	5	5
Miscellaneous Federal and State Policies	2	2	2
Smoke Free Residence	2	2	2
Total Points	113	108	103

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.