

# CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

## Project Staff Report Tax-Exempt Bond Project July 17, 2019

Hamlin Hotel, located at 385 Eddy Street in San Francisco, requested and is being recommended for a reservation of \$1,830,856 in annual federal tax credits to finance the acquisition and rehabilitation of 67 units of housing serving tenants with rents affordable to households earning 50% of area median income (AMI). The project will be developed by Chinatown Community Development Center, Inc. and is 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. The project financing includes state funding from the LPR (CHRP) program of HCD.

<b>Project Number</b>	CA-19-478
<b>Project Name</b>	Hamlin Hotel
Site Address:	385 Eddy Street
	San Francisco, CA 94102
	County: San Francisco
Census Tract:	125.02

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,830,856	\$0
Recommended:	\$1,830,856	\$0

### Applicant Information

Applicant:	Hamlin Hotel 2019, L.P.
Contact:	Norman Fong
Address:	1525 Grant Avenue
	San Francisco, CA 94133
Phone:	415-984-1450
Email:	nfong@chinatowncdc.org

General Partner(s) or Principal Owner(s):	Hamlin Hotel LLC
General Partner Type:	Nonprofit
Parent Company(ies):	Chinatown Community Development Center, Inc.
Developer:	Chinatown Community Development Center, Inc.
Investor/Consultant:	California Housing Partnership
Management Agent:	Caritas Management Corporation

**Project Information**

Construction Type: Acquisition & Rehabilitation  
 Total # Residential Buildings: 1  
 Total # of Units: 67  
 No. / % of Low Income Units: 67 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt/HUD Section 8 Project-based Vouchers (67 units - 100%)

**Bond Information**

Issuer: City & County of San Francisco  
 Expected Date of Issuance: September 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 Units</b>
50% AMI: 67	100%

**Unit Mix**

67 SRO/Studio Units
67 Total Units

<b>Unit Type &amp; Number</b>	<b>2019 Rents Targeted % of Area Median Income</b>	<b>2019 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
67 SRO/Studio	50%	45%	\$1,283

**Project Cost Summary at Application**

Land and Acquisition	\$24,903,762
Construction Costs	\$0
Rehabilitation Costs	\$13,753,984
Construction Hard Cost Contingency	\$2,063,098
Soft Cost Contingency	\$281,078
Relocation	\$1,500,000
Architectural/Engineering	\$1,214,230
Const. Interest, Perm. Financing	\$2,595,155
Legal Fees	\$100,000
Reserves	\$804,885
Other Costs	\$1,347,496
Developer Fee	\$6,417,468
Commercial Costs	\$0

<b>Total</b>	<b>\$54,981,156</b>
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**Residential**

Construction Cost Per Square Foot:	\$670
Per Unit Cost:	\$820,614
True Cash Per Unit Cost*:	\$731,276

<b>Construction Financing</b>		<b>Permanent Financing</b>	
Source	Amount	Source	Amount
Silicon Valley Bank	\$26,967,500	CCRC <sup>1</sup>	\$8,142,000
Seller Carryback Loan	\$3,665,445	Seller Carryback Loan	\$3,665,445
HCD LPR (CHRP) Loan	\$4,030,226	HCD LPR (CHRP) Loan	\$4,030,226
MOHCD <sup>2</sup> CHRP/ Hotel Subsidy	\$2,503,416	MOHCD <sup>2</sup> CHRP/ Hotel Subsidy	\$2,503,416
MOHCD <sup>2</sup> CCSF	\$462,321	MOHCD <sup>2</sup> CCSF	\$462,321
MOHCD <sup>2</sup> OAHPP	\$8,729,418	MOHCD <sup>2</sup> OAHPP	\$8,729,418
Accrued Interest	\$835,991	Accrued Interest	\$835,991
Deferred Cost	\$1,930,211	GP Loan	\$4,609,174
GP Equity	\$1,897,237	GP Equity	\$1,897,237
GP Equity	\$100	GP Equity	\$100
Deferred Developer Fee	\$2,320,231	Deferred Developer Fee	\$2,320,231
Tax Credit Equity	\$1,639,060	Tax Credit Equity	\$17,785,597
		<b>TOTAL</b>	<b>\$54,981,156</b>

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

<sup>1</sup> California Community Reinvestment Corporation

<sup>2</sup> Mayor's Office Housing Community Development

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$20,933,006
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$28,267,584
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$27,212,908
Qualified Basis (Acquisition):	\$28,267,584
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$898,026
Maximum Annual Federal Credit, Acquisition:	\$932,830
Total Maximum Annual Federal Credit:	\$1,830,856
Approved Developer Fee (in Project Cost & Eligible Basis):	\$6,417,468
Investor/Consultant:	California Housing Partnership
Federal Tax Credit Factor:	\$0.97144

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:	\$49,200,590
Actual Eligible Basis:	\$49,200,590
Unadjusted Threshold Basis Limit:	\$27,632,006
Total Adjusted Threshold Basis Limit:	\$63,553,614

#### **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: 100%

#### **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 3.30% 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 estimated cost of the project is \$820,614 per unit. This relatively high cost compared to most other areas of California is due in part to the high cost of construction in San Francisco, the project's rental subsidies supporting a strong property value and cost, relocation expenses, the extensive rehabilitation required at the project in order to meet the HUD requirements for properties converting from public housing, and additional contracting requirements from the RAD program, San Francisco Housing Authority policies, and the City of San Francisco, as well as other factors typical of buildings that are 100

The proposed rents do not include any utility allowance. The owner will pay for all utilities.

Per TCAC Regulation Section 10325(f)(7)(J) the project has committed to employ an equivalent number of on-site full-time property management staff and provide an equivalent number of desk or security staff capable of responding to emergencies for the hours when property management staff is not working. All staff or contractors performing desk or security work shall be knowledgeable of how the property's fire system operates and be trained in, and have participated in, fire evacuation drills for tenants. TCAC reserves the right to require that one or more on-site managers' units be provided and occupied by property management staff if, in its sole discretion, it determines as part of any on-site inspection that the project has not been adequately operated and/or maintained.

**Resyndication and Resyndication Transfer Event:** None

### **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.

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 comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.