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

1064 Mission Permanent Supportive Housing, located at 1064-1068 Mission Street in San Francisco, requested and is being recommended for a reservation of $5,663,559 in annual federal tax credits to finance the new construction of 256 units of housing serving tenants with rents affordable to households earning 50% of area median income (AMI). The project will be developed by Mercy Housing California and will be located in Senate District 17 and Assembly District 11.

The project will be receiving rental assistance in the form of San Francisco Local Operating Subsidy Program (LOSP). The project financing includes state funding from the NPLH program of HCD.

Project Number CA-19-545

Project Name 1064 Mission Permanent Supportive Housing
Site Address: 1064-1068 Mission Street
San Francisco, CA 94103 County: San Francisco
Census Tract: 176.01

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$5,663,559	$0
Recommended:	$5,663,559	$0

Applicant Information
Applicant: 1064 Mission, L.P.
Contact: Barbara Gualco
Address: 1256 Market Street
San Francisco, CA 94102
Phone: (415) 355-7116
Email: bgualco@mercyhousing.org

General Partner(s) or Principal Owner(s): Mercy Housing 1064 Mission, LLC
1064 Mission Street, LLC
General Partner Type: Nonprofit
Parent Company(ies): Mercy Housing California
ECS Housing Corporation
Developer: Mercy Housing California
Investor/Consultant: California Housing Partnership Corporation
Management Agent: Caritas Management Corporation

Project Information

Construction Type:	New Construction
Total # Residential Buildings:	2
Total # of Units:	258
No. / % of Low Income Units:	256 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt

Bond Information

Issuer:	City and County of San Francisco
Expected Date of Issuance:	January 1, 2020

Information

Housing Type:	Non-Targeted
Geographic Area:	San Francisco County
TCAC Project Analyst:	Carmen Doonan

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
50% AMI:	256	100%

Unit Mix

256	SRO/Studio Units
2	1-Bedroom Units
258	Total Units

Unit Type & Number		2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
256	SRO/Studio	50%	11%	$307
2	1 Bedroom	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$54,804
Construction Costs	$92,518,505
Rehabilitation Costs	$0
Construction Hard Cost Contingency	$4,625,926
Soft Cost Contingency	$1,053,890
Relocation	$0
Architectural/Engineering	$3,592,213
Const. Interest, Perm. Financing	$9,497,300
Legal Fees	$129,170
Reserves	$1,869,682
Other Costs	$4,676,043
Developer Fee	$16,257,553
Commercial Costs	$6,363,569
Total	**$140,638,655**

Residential

Construction Cost Per Square Foot:	$589
Per Unit Cost:	$520,446
True Cash Per Unit Cost*:	$520,446

Construction Financing

Source	Amount
JP Morgan Chase	$87,000,000
MOHCD[1]	$31,705,926
Costs Deferred to Perm Conversion	$4,371,962
General Partner Equity	$12,477,553
Tax Credit Equity	$5,083,214

Permanent Financing

Source	Amount
HCD - NPLH	$43,730,355
MOHCD[1]	$27,769,645
AHP	$1,500,000
General Partner Loan	$2,168,971
General Partner Equity	$12,477,553
Tax Credit Equity	$52,992,131
TOTAL	**$140,638,655**

[1]City of San Francisco Mayor's Office of Housing and Community Development
*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis:	$132,017,692
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	$171,622,999
Applicable Rate:	3.30%
Total Maximum Annual Federal Credit:	$5,663,559
Approved Developer Fee in Project Cost:	$16,507,553
Approved Developer Fee in Eligible Basis:	$16,499,527
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	$0.93567

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:	$132,017,692
Actual Eligible Basis:	$132,017,692
Unadjusted Threshold Basis Limit:	$106,530,036
Total Adjusted Threshold Basis Limit:	$245,019,083

Adjustments to Basis Limit

Required to Pay 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 project has an operating subsidy from the San Francisco Local Operating Subsidy Program (LOSP) for 256 units (100%).

The utility allowance included in the proposed rents will be paid for by the owner. They include electric, gas, water, sewer and garbage.

This project will have 258 units, requiring the project to have 3 on-site managers' units. Per CTCAC Regulation 10325 (f)(7)(J) In lieu of a third manager unit, this project is committing to two on-site managers' units with two full time property managers, two full-time manager assistants, two 24-hour front desk staff, and janitorial and maintenance staff.

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.