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

555 Larkin/500-520 Turk, located at 555 Larkin Street and 500-520 Turk Street in San Francisco, requested and is being recommended for a reservation of $3,229,645 in annual federal tax credits to finance the new construction of 107 units of housing serving tenants with rents affordable to households earning 40% - 80% of area median income (AMI). The project will be developed by Tenderloin Neighborhood Development Corporation and will be 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 Contract. The project financing includes state funding from the AHSC program of HCD.

Project Number	CA-19-555
Project Name	555 Larkin/500-520 Turk
Site Address:	555 Larkin Street and 500-520 Turk Street
	San Francisco, CA 94102 County: San Francisco
Census Tract:	124.02

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$3,229,645	$0
Recommended:	$3,229,645	$0

Applicant Information

Applicant:	Turk 500 Associates, L.P.
Contact:	Katie Lamont
Address:	201 Eddy Street
	San Francisco, CA 94012
Phone:	(415) 358-3921
Email:	klamont@tndc.org

General Partner(s) or Principal Owner(s):	Turk 500 GP, LLC
General Partner Type:	Nonprofit
Parent Company(ies):	Tenderloin Neighborhood Development Corporation
Developer:	Tenderloin Neighborhood Development Corporation
Investor/Consultant:	Wells Fargo Bank
Management Agent:	Tenderloin Neighborhood Development Corporation

Project Information

Construction Type:	New Construction
Total # Residential Buildings:	1
Total # of Units:	108
No. / % of Low Income Units:	107 100.00%
Federal Set-Aside Elected:	40%/60% Average Income
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Contract (27 Units - 25%)

Bond Information

Issuer:	Mayor's Office of Housing and Community Development
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
40% AMI:	17	16%
60% AMI:	79	74%
80% AMI:	11	10%

Average Income Project (70% and/or 80% AMI Units): 59% AMI targeted average or less is required

Unit Mix

23	SRO/Studio Units
21	1-Bedroom Units
50	2-Bedroom Units
14	3-Bedroom Units
108	Total Units

Unit Type & Number		2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
3	1 Bedroom	40%	24%	$739
6	2 Bedrooms	40%	23%	$831
2	3 Bedrooms	40%	22%	$924
3	1 Bedroom	60%	24%	$739
6	2 Bedrooms	40%	23%	$831
2	3 Bedrooms	60%	22%	$924
3	SRO/Studio	60%	31%	$863
3	1 Bedroom	60%	33%	$985
8	2 Bedrooms	60%	31%	$1,109
2	3 Bedrooms	60%	29%	$1,231
3	SRO/Studio	60%	38%	$1,078
10	SRO/Studio	60%	38%	$1,078
5	1 Bedroom	60%	41%	$1,231
15	2 Bedrooms	60%	38%	$1,386
4	3 Bedrooms	60%	37%	$1,540
5	SRO/Studio	60%	46%	$1,293
4	1 Bedroom	60%	49%	$1,478
10	2 Bedrooms	60%	46%	$1,663
2	3 Bedrooms	60%	44%	$1,848
2	SRO/Studio	80%	61%	$1,724
2	1 Bedroom	80%	65%	$1,970
5	2 Bedrooms	80%	61%	$2,218
2	3 Bedrooms	80%	59%	$2,463
1	1 Bedroom	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$13,836,376
Construction Costs	$50,433,888
Rehabilitation Costs	$0
Construction Hard Cost Contingency	$2,529,802
Soft Cost Contingency	$523,346
Relocation	$503,919
Architectural/Engineering	$3,626,199
Const. Interest, Perm. Financing	$7,616,013
Legal Fees	$274,046
Reserves	$1,856,541
Other Costs	$3,901,895
Developer Fee	$9,602,145
Commercial Costs	$1,984,309
Total	**$96,688,479**

Residential

Construction Cost Per Square Foot:	$471
Per Unit Cost:	$876,890
True Cash Per Unit Cost*:	$810,484

Construction Financing

Source	Amount
Wells Fargo	$47,347,500
Wells Fargo	$3,002,206
City of San Francisco	$30,311,893
Collateral Account GIC Earning	$1,578,250
Operating Income	$281,902
Deferred Costs	$3,553,321
Deferred Developer Fee	$7,322,145
Tax Credit Equity	$3,291,262

Permanent Financing

Source	Amount
Wells Fargo	$10,822,000
City of San Francisco	$30,311,893
HCD - AHSC	$13,700,000
Collateral Account GIC Earnings	$1,578,250
Fannie Mae Rebate	$81,165
Operating Income	$281,902
Deferred Developer Fee	$7,322,145
Tax Credit Equity	$32,591,124
TOTAL	**$96,688,479**

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

Determination of Credit Amount(s)

Requested Eligible Basis:	$75,283,112
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	$97,868,045
Applicable Rate:	3.30%
Total Maximum Annual Federal Credit:	$3,229,645
Total State Credit:	$0
Approved Developer Fee in Project Cost:	$9,852,145
Approved Developer Fee in Eligible Basis:	$9,602,145
Investor/Consultant:	Wells Fargo Bank
Federal Tax Credit Factor:	$1.00912

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:	$75,283,112
Actual Eligible Basis:	$75,283,112
Unadjusted Threshold Basis Limit:	$58,430,320
Total Adjusted Threshold Basis Limit:	$85,112,774

Adjustments to Basis Limit

Required to Pay State or Federal Prevailing Wages
Local Development Impact Fees
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: 15%

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

Staff noted a high per unit development cost of $810,484. The high per unit cost is attributed to high land costs, the site requiring historic mitigation, soil mitigation, city planning requirements, and high labor and materials costs.

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.