

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

South Park Scattered Sites, located at 22 South Park Street, 102 South Park Street, 104-106 South Park Street in San Francisco, requested and is being recommended for a reservation of \$2,056,199 in annual federal tax credits to finance the acquisition and rehabilitation of 105 units of housing serving tenants with rents affordable to households earning 30-80% 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.

South Park Scattered Sites will be receiving rental assistance in the form of HUD Section 8 Project-based Contract/Shelter Plus Program.

Project Number CA-19-568

Project Name South Park Scattered Sites

Site Address:	<u>Hotel Madrid</u> 22 South Park Street San Francisco, CA 94107	<u>Park View Hotel</u> 102 South Park Street San Francisco, CA 94107
Census Tract:	61500.00	61500.00

Census Tract:	<u>Gran Oriente Filipino Hotel</u> 104-106 South Park Street San Francisco, CA 94107
Census Tract:	61500.00

County: San Francisco

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,056,199	\$0
Recommended:	\$2,056,199	\$0

Applicant Information

Applicant: MHDC South Park Properties, L.P.
Contact: Michael Chao
Address: 474 Valencia Street, Suite 280
San Francisco, CA 94103
Phone: 415-864-6432
Email: mchao@missionhousing.org

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

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 3
 Total # of Units: 107
 No. / % of Low Income Units: 105 99.06%
 Federal Set-Aside Elected: 40%/60% Average Income
 Federal Subsidy: Tax-Exempt / HUD Section 8 Contract (44 units - 41%)

Bond Information

Issuer: SF Mayor's Office of Housing and Community Development
 Expected Date of Issuance: January 21, 2020

Information

Housing Type: Non-Targeted
 Geographic Area: San Francisco County
 TCAC Project Analyst: Marlene McDonough

55-Year Use / Affordability

Aggregate Targeting	Percentage of	
Number of Units	Affordable Units	
30% AMI:	61	58%
50% AMI:	40	38%
60% AMI:	3	3%
80% AMI:	1	1%

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

Unit Mix

106 SRO/Studio Units
1 1-Bedroom Units
 107 Total Units

Unit Type & Number	2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
17 SRO/Studio	25%	12%	\$325
44 SRO/Studio	30%	16%	\$454
18 SRO/Studio	50%	27%	\$757
22 SRO/Studio	50%	27%	\$757
3 SRO/Studio	60%	32%	\$908
1 SRO/Studio	80%	10%	\$295
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0
1 SRO/Studio	Market Rate Unit	Market Rate Unit	\$334

Project Cost Summary at Application

Land and Acquisition	\$22,624,525
Construction Costs	\$0
Rehabilitation Costs	\$18,452,612
Construction Hard Cost Contingency	\$2,767,892
Soft Cost Contingency	\$444,225
Relocation	\$1,087,000
Architectural/Engineering	\$1,309,140
Const. Interest, Perm. Financing	\$2,947,218
Legal Fees	\$120,000
Reserves	\$771,000
Other Costs	\$1,106,932
Developer Fee	\$7,022,879
Commercial Costs	\$0
Total	\$58,653,423

Residential

Construction Cost Per Square Foot:	\$1,451
Per Unit Cost:	\$548,163
True Cash Per Unit Cost*:	\$508,400

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Boston Private Bank	\$37,109,907	Mission Housing Development Corp.	\$10,878,156
MOHCD Loan	\$2,000,000	MOHCD PASS Market Loan	\$6,591,000
MOHCD Small Sites Program	\$5,240,075	MOHCD PASS BMR Loan	\$4,259,000
MOHCD CDBG (Assumed)	\$4,049,061	MOHCD PASS Loan	\$692,710
City of San Francisco Tax Increment	\$498,641	MOHCD CDBG (Assumed)	\$4,049,061
GP Contribution	\$3,511,539	MOHCD Small Sites Program	\$5,240,075
Deferred Costs	\$2,157,791	MOHCD Loan	\$2,000,000
Deferred Developer Fee	\$1,251,439	City of San Francisco Tax Increment	\$498,641
Tax Credit Equity	\$2,834,970	GP Contribution	\$3,511,539
		Deferred Developer Fee	\$1,251,439
		Tax Credit Equity	\$19,681,802
		TOTAL	\$58,653,423

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$30,201,362
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$23,640,708
Applicable Fraction:	99.06%
Qualified Basis (Rehabilitation):	\$38,891,377
Qualified Basis (Acquisition):	\$23,417,682
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$1,283,415
Maximum Annual Federal Credit, Acquisition:	\$772,784
Total Maximum Annual Federal Credit:	\$2,056,199
Approved Developer Fee (in Project Cost & Eligible Basis):	\$7,022,879
Investor/Consultant:	California Housing Partnership
Federal Tax Credit Factor:	\$0.95719

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:	\$53,842,070
Actual Eligible Basis:	\$53,842,070
Unadjusted Threshold Basis Limit:	\$44,191,822
Total Adjusted Threshold Basis Limit:	\$119,759,837

Adjustments to Basis Limit

Required to Pay State or Federal Prevailing Wages

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 37%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 12%

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 per unit development cost of \$548,163, The applicant noted that the high per unit cost is attributed to extensive rehabilitation and the City of San Francisco waste diversion requirements.

The proposed rent does not include a utility allowance. The owner will pay for all utilities.

This project involves the substantial rehabilitation of 3 scattered-site buildings originally constructed in the early 1900s in the City of San Francisco.

At place-in-service, any units not occupied by income-qualified tenants will be not considered tax credit units and the applicable fraction will be adjusted accordingly. However, these units will be rent-restricted at 60% of area median income (AMI) in the recorded TCAC regulatory agreement in order to meet the scattered-site requirement of Section 42(g)(7) of the Internal Revenue Code. The recorded TCAC regulatory agreement will also require that upon turnover the unit(s) must be occupied by income-qualified

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.