

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

April 14, 2020

681 Florida Street, located at 681 Florida Street in San Francisco, requested and is being recommended for a reservation of \$3,682,831 in annual federal tax credits to finance the new construction of 129 units of housing serving tenants with rents affordable to households earning 30-70% of area median income (AMI). The project will be developed by 681 Florida Housing Associates, L.P. and will be located in Senate District 11 and Assembly District 17.

The project will be receiving rental assistance in the form of City of San Francisco Local Operating subsidy Program. The project financing includes state funding from the MHP program of HCD.

Project Number CA-20-552

Project Name 681 Florida Street
Site Address: 681 Florida Street
San Francisco, CA 94115 County: San Francisco
Census Tract: 22801.00

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$3,682,831	\$0
Recommended:	\$3,682,831	\$0

Applicant Information

Applicant: 681 Florida Housing Associates, L.P.
Contact: Colleen Ma
Address: 201 Eddy Street
San Francisco, CA 94102
Phone: 415-930-8394
Email: cma@tndc.org

General Partner(s) or Principal Owner(s): 681 Florida TNDC LLC
MEDA 681 Florida LLC
General Partner Type: Nonprofit
Parent Company(ies): Tenderloin Neighborhood Development Corporation
Mission Economic Development Agency
Developer: 681 Florida Housing Associates, L.P.
Investor/Consultant: Community Economics
Management Agent: Tenderloin Neighborhood Development Corporation

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 130
No. / % of Low Income Units: 129 100.00%
Federal Set-Aside Elected: 40%/60% Average Income
Federal Subsidy: Tax-Exempt

Bond Information

Issuer: Mayor's Office of Housing and Community Development
Expected Date of Issuance: July 1, 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	47%
40% AMI:	21	16%
50% AMI:	12	9%
70% AMI:	35	27%

Unit Mix

44 SRO/Studio Units
31 1-Bedroom Units
41 2-Bedroom Units
14 3-Bedroom Units

130 Total Units

Unit Type & Number		2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
12	SRO/Studio	30%	27%	\$754
2	SRO/Studio	40%	31%	\$863
4	SRO/Studio	40%	38%	\$1,078
5	SRO/Studio	50%	46%	\$1,293
21	SRO/Studio	70%	65%	\$1,831
2	1 Bedroom	30%	29%	\$862
2	1 Bedroom	40%	33%	\$985
1	1 Bedroom	40%	40%	\$1,209
3	1 Bedroom	50%	49%	\$1,478
4	1 Bedroom	70%	69%	\$2,093
18	1 Bedroom	20%	12%	\$369
5	2 Bedrooms	30%	27%	\$969
5	2 Bedrooms	40%	31%	\$1,109
3	2 Bedrooms	40%	38%	\$1,386
3	2 Bedrooms	50%	46%	\$1,663
8	2 Bedrooms	70%	65%	\$2,355
17	2 Bedrooms	20%	11%	\$397
3	3 bedrooms	30%	26%	\$1,077
2	3 bedrooms	40%	29%	\$1,231
2	3 bedrooms	40%	37%	\$1,540
1	3 bedrooms	50%	44%	\$1,848
2	3 bedrooms	70%	62%	\$2,617
4	3 bedrooms	20%	10%	\$429
1	1 Bedroom	Manager's Unit	Manager's Unit	\$600

Project Cost Summary at Application

Land and Acquisition	\$269,571
Construction Costs	\$65,359,186
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$3,251,816
Soft Cost Contingency	\$663,779
Relocation	\$0
Architectural/Engineering	\$4,206,629
Const. Interest, Perm. Financing	\$7,006,240
Legal Fees	\$66,984
Reserves	\$608,818
Other Costs	\$4,447,862
Developer Fee	\$5,300,000
Commercial Costs	\$0
Total	\$91,180,885

Residential

Construction Cost Per Square Foot:	\$515
Per Unit Cost:	\$701,391
True Cash Per Unit Cost*:	\$694,940

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
US Bank	\$50,000,000	CCRC	\$2,786,000
US Bank - Taxable	\$5,972,500	San Francisco - MOHCD	\$32,605,112
San Francisco - MOHCD	\$27,645,289	HCD MHP Loan	\$14,706,000
Tax Credit Equity	\$3,709,724	Deferred Interest	\$1,129,931
		Deferred Developer Fee	\$838,669
		GP Equity	\$2,170,432
		Tax Credit Equity	\$36,944,742
		TOTAL	\$91,180,885

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$87,986,168
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$114,382,019
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	\$3,682,831
Approved Developer Fee (in Project Cost & Eligible Basis):	\$5,300,000
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	\$1.00316

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:	\$87,986,168
Actual Eligible Basis:	\$87,986,168
Unadjusted Threshold Basis Limit:	\$71,241,049
Total Adjusted Threshold Basis Limit:	\$171,022,215

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

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 23%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 94%

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 3.24% 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 cost of \$701,391. The applicant noted that the high per unit cost is attributed to soil conditions, City Planning requirements, and the City and County of San Francisco and the Mayor's Office of Housing and Community Development and HCD prevailing wage requirements.

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.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

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.