CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
September 16, 2020

Fillmore Marketplace, located at 1223 Webster Street in San Francisco, requested and is being recommended for a reservation of $1,423,182 in annual federal tax credits to finance the acquisition and rehabilitation of 118 units of housing serving families with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by The Related Companies of California, LLC and is located in Senate District 11 and Assembly District 17.

Fillmore Marketplace is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Fillmore Marketplace (CA-93-148). See **Resyndication and Resyndication Transfer Event** below for additional information. The project financing includes state funding from the Rental Housing Construction Program (RHCP) of HCD.

Project Number CA-20-624

Project Name Fillmore Marketplace
Site Address: 1223 Webster Street
San Francisco, CA 94115 County: San Francisco
Census Tract: 159.00

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,423,182	$0
Recommended:	$1,423,182	$0

Applicant Information
Applicant: Fillmore Marketplace Housing Partners, LP
Contact: Lisa Grady
Address: 44 Montgomery Street, Suite 1300
San Francisco, CA 94104
Phone: (415) 677-9029
Email: lisa.grady@related.com

General Partner(s) or Principal Owner(s): Fillmore Marketplace Development Co., LLC
San Francisco Housing Development Corporation
General Partner Type: Joint Venture
Parent Company(ies): The Related Companies of California, LLC
San Francisco Housing Development Corporation
Developer: The Related Companies of California, LLC
Investor/Consultant: Union Bank
Management Agent: Related Management Company

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	6
Total # of Units:	120
No. / % of Low Income Units:	118 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt

Bond Information

Issuer:	City and County of San Francisco
Expected Date of Issuance:	December 31, 2020

Information

Housing Type:	Large Family
Geographic Area:	San Francisco County
TCAC Project Analyst:	Tiffani Negrete

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
50% AMI:	108	92%
60% AMI:	10	8%

Unit Mix

29	1-Bedroom Units
29	2-Bedroom Units
62	3-Bedroom Units
120	Total Units

Unit Type & Number		2020 Rents Targeted % of Area Median Income	2020 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
26	1 Bedroom	50%	25%	$822
3	1 Bedroom	60%	39%	$1,273
25	2 Bedrooms	50%	24%	$935
3	2 Bedrooms	60%	40%	$1,560
57	3 Bedrooms	50%	23%	$1,041
4	3 Bedrooms	60%	38%	$1,740
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application	
Land and Acquisition	$25,000,000
Construction Costs	$0
Rehabilitation Costs	$8,500,000
Construction Hard Cost Contingency	$1,020,000
Soft Cost Contingency	$150,000
Relocation	$0
Architectural/Engineering	$964,492
Const. Interest, Perm. Financing	$1,524,048
Legal Fees	$95,000
Reserves	$770,328
Other Costs	$1,342,006
Developer Fee	$3,660,000
Commercial Costs	$0
Total	**$43,025,874**

Residential	
Construction Cost Per Square Foot:	$75
Per Unit Cost:	$358,549
True Cash Per Unit Cost*:	$256,442

Construction Financing

Source	Amount
Union Bank - T.E. Bonds	$21,762,000
HCD-RHCP (Assumed)	$11,796,314
SFRA (Assumed)**	$963,470
Seller Carryback Loan	$5,000,000
Operating Income	$530,277
Existing Reserves	$478,993
Deferred Reserves	$291,339
Deferred Costs	$48,380
Deferred Developer Fee	$1,480,000
Tax Credit Equity	$675,101

Permanent Financing

Source	Amount
Union Bank - T.E. Bonds	$3,502,000
HCD-RHCP (Assumed)	$11,796,314
SFRA (Assumed)**	$963,470
Seller Carryback Loan	$10,772,791
Operating Income	$530,277
Existing Reserves	$478,993
Deferred Developer Fee	$1,480,000
Tax Credit Equity	$13,502,029
TOTAL	**$43,025,874**

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee
**Assumed loan from the former San Francisco Redevelopment Agency

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$13,200,848
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$26,764,250
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$17,161,102
Qualified Basis (Acquisition):	$26,764,250
Applicable Rate:	3.24%
Maximum Annual Federal Credit, Acquisition:	$867,162
Approved Developer Fee (in Project Cost & Eligible Basis):	$3,660,000
Investor/Consultant:	Union Bank
Federal Tax Credit Factor:	$0.94872

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:	$39,965,098
Actual Eligible Basis:	$39,965,098
Unadjusted Threshold Basis Limit:	$81,135,327
Total Adjusted Threshold Basis Limit:	$171,195,540

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

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 91%

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

The applicant has requested and been granted a waiver of the 10% mobility feature requirement under TCAC Regulation Section 10325(f)(7)(K) due to physical impracticality. The project shall provide 10% of the units (12 units) with grab bars. The project shall provide 4% of the units (5 units) with communications features that meet the requirements of California Building Code Chapter 11(B).

This Project's annual per unit operating expense total is below the TCAC published per unit operating minimums of $8,100. As allowed by TCAC Regulation Section 10327(g)(1), TCAC approves an annual per unit operating expense total of $7,227 on agreement of the permanent lender and equity investor.

At placed in service, any units not occupied by income-qualified tenants will not be considered tax credit units and the applicable fraction will be adjusted accordingly.

Resyndication and Resyndication Transfer Event

Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-93-148). To be eligible for a new award of tax credits, the owner must provide documentation with the Form 8609 request (the placed in service submission) that the acquisition date and the placed in service date both occurred after the existing federal 15 year compliance period was completed. For resyndications that were originally rehabilitation and acquisition, the resyndication acquisition date cannot occur before the last rehabilitation credit year of the original credit period.

As required by the IRS, the newly resyndicated project will continue to use the originally assigned Building Identification Numbers (BINs).

The newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreement(s) and any deeper targeting levels in the new regulatory agreement(s) for the duration of the new regulatory agreement(s). Existing households determined to be income-qualified for purposes of IRC §42 credit during the 15-year compliance period are concurrently income-qualified households for purposes of the extended use agreement. As a result, any household determined to be income qualified at the time of move-in under the existing regulatory agreement (CA-93-148) is a qualified low-income household for the subsequent allocation (existing household eligibility is "grandfathered").

The project is a resyndication where the existing regulatory agreement requires service amenities. The project shall provide a similar or greater level of services for a period of at least 15 years under the new regulatory agreement. The project is deemed to have met this requirement based on TCAC staff's review of the commitment in the application. The services documented in the placed in service package will be reviewed by TCAC staff for compliance with this requirement at the time of the placed in service submission.

The project is a resyndication occuring concurrently with a Transfer Event without distribution of Net Project Equity, and thus is waived from the requirements under TCAC Regulation Section 10320(b)(4)(B).

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.