**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**
**Project Staff Report**
**Tax-Exempt Bond Project**
**October 14, 2020**

921 Howard Street, located at 921 Howard Street in San Francisco, requested and is being recommended for a reservation of $5,702,683 in annual federal tax credits to finance the new construction of 201 units of housing serving tenants with rents affordable to households earning 50-80% 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.

**Project Number** CA-20-640

**Project Name** 921 Howard Street
Site Address: 921 Howard Street
San Francisco, CA 94103 County: San Francisco
Census Tract: 178.02

| **Tax Credit Amounts** | **Federal/Annual** | **State/Total** |
|---|---|---|
| Requested: | $5,702,683 | $0 |
| Recommended: | $5,702,683 | $0 |

**Applicant Information**
Applicant: 5th and Howard Associates, L.P.
Contact: Donald S. Falk
Address: 201 Eddy Street
San Francisco, CA 94102
Phone: 415-358-3923
Email: dfalk@tndc.org

General Partner(s) or Principal Owner(s): 5H GP LLC
General Partner Type: Nonprofit
Parent Company(ies): Tenderloin Neighborhood Development Corporation
Developer: Tenderloin Neighborhood Development Corporation
Investor/Consultant: California Housing Partnership Corp.
Management Agent: Tenderloin Neighborhood Development Corporation

**Project Information**
Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 203
No. / % of Low Income Units: 201 100.00%
Federal Set-Aside Elected: 40%/60% Average Income
Federal Subsidy: Tax-Exempt

**Bond Information**

| | |
|---|---|
| Issuer: | California Housing Finance Agency |
| Expected Date of Issuance: | March 1, 2021 |

**Information**

| | |
|---|---|
| Housing Type: | Non-Targeted |
| Geographic Area: | San Francisco County |
| TCAC Project Analyst: | Richard Fujitani |

**55-Year Use / Affordability**

| Aggregate Targeting Number of Units | | Percentage of Affordable Units |
|---|---|---|
| 50% AMI: | 102 | 51% |
| 60% AMI: | 48 | 24% |
| 80% AMI: | 51 | 25% |

**Unit Mix**

| | |
|---|---|
| 33 | SRO/Studio Units |
| 84 | 1-Bedroom Units |
| 81 | 2-Bedroom Units |
| 5 | 3-Bedroom Units |
| 203 | Total Units |

| Unit Type & Number | | 2020 Rents Targeted % of Area Median Income | 2020 Rents Actual % of Area Median Income | Proposed Rent (including utilities) |
|---|---|---|---|---|
| 17 | SRO/Studio | 50% | 50% | $1,522 |
| 41 | 1 Bedroom | 50% | 50% | $1,631 |
| 41 | 2 Bedrooms | 50% | 50% | $1,957 |
| 3 | 3 Bedrooms | 50% | 50% | $2,262 |
| 8 | SRO/Studio | 60% | 60% | $1,827 |
| 20 | 1 Bedroom | 60% | 60% | $1,957 |
| 19 | 2 Bedrooms | 60% | 60% | $2,349 |
| 1 | 3 Bedrooms | 60% | 60% | $2,715 |
| 8 | SRO/Studio | 80% | 75% | $2,295 |
| 21 | 1 Bedroom | 80% | 80% | $2,610 |
| 21 | 2 Bedrooms | 80% | 80% | $3,132 |
| 1 | 3 Bedrooms | 80% | 80% | $3,620 |
| 2 | 1 Bedroom | Manager’s Unit | Manager’s Unit | $0 |

**Project Cost Summary at Application**

| | |
|---|---|
| Land and Acquisition | $14,557,047 |
| Construction Costs | $103,406,850 |
| Rehabilitation Costs | $0 |
| Construction Hard Cost Contingency | $5,179,597 |
| Soft Cost Contingency | $781,171 |
| Relocation | $0 |
| Architectural/Engineering | $3,675,539 |
| Const. Interest, Perm. Financing | $12,357,206 |
| Legal Fees | $179,667 |
| Reserves | $1,062,362 |
| Other Costs | $5,663,670 |
| Developer Fee | $10,000,000 |
| Commercial Costs | $1,393,546 |
| **Total** | **$158,256,655** |

**Residential**

| | |
|---|---|
| Construction Cost Per Square Foot: | $526 |
| Per Unit Cost: | $772,256 |
| True Cash Per Unit Cost*: | $748,376 |

**Construction Financing**

| Source | Amount |
|---|---|
| Chase Bank - Tax-Exempt | $88,187,814 |
| Chase Bank - Taxable | $5,425,836 |
| MOHCD - New Loan | $40,000,000 |
| MOHCD - Existing Loan | $6,257,638 |
| Accrued Interest | $2,336,629 |
| Costs Deferred Until Conversion | $3,796,199 |
| Deferred Developer Fee | $3,500,000 |
| General Partner Equity | $3,250,000 |
| Tax Credit Equity | $5,502,539 |

**Permanent Financing**

| Source | Amount |
|---|---|
| PGIM - Tax-Exempt Loan | $47,814,000 |
| MOHCD - New Loan | $40,000,000 |
| MOHCD - Existing Loan | $6,257,638 |
| Sale of Commercial Space | $433,000 |
| Accrued Interest | $2,336,629 |
| Deferred Developer Fee | $3,500,000 |
| General Partner Equity | $3,250,000 |
| Tax Credit Equity | $54,665,388 |
| **TOTAL** | **$158,256,655** |

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

**Determination of Credit Amount(s)**

| | |
|---|---|
| Requested Eligible Basis: | $135,391,335 |
| 130% High Cost Adjustment: | Yes |
| Applicable Fraction: | 100.00% |
| Qualified Basis: | $176,008,736 |
| Total Maximum Annual Federal Credit: | $5,702,683 |
| Approved Developer Fee in Project Cost: | $10,000,000 |
| Approved Developer Fee in Eligible Basis: | $9,904,813 |
| Investor/Consultant: | California Housing Partnership Corp. |
| Federal Tax Credit Factor: | $0.95859 |

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: | $135,391,335 |
| Actual Eligible Basis: | $135,391,335 |
| Unadjusted Threshold Basis Limit: | $110,771,543 |
| Total Adjusted Threshold Basis Limit: | $199,388,778 |

**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

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: 50%

**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 the per unit cost is approximately $748,376. The applicant noted the per unit cost is attributed to unique staging and construction challenges including street closures, security, tower crane, and personnel hoist. In addition, due to outdoor air quality the HVAC and air filtration systems must abide by Article 38 of the San Francisco Health Code. Lastly, prevailing wage and local hiring requirements affect

**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.