CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2020 Second Round
October 14, 2020

Ambassador 9%, located at 55 Mason Street in San Francisco, requested and is being recommended for a reservation of $1,800,000 in annual federal tax credits to finance the acquisition and rehabilitation of 35 units of housing serving special needs tenants with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by Tenderloin Neighborhood Development Corporation and is located in Senate District 11 and Assembly District 17.

Ambassador 9% is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Ambassador Hotel (CA-2000-078). See **Resyndication and Resyndication Transfer Event** below for additional information. The project will be receiving rental assistance in the form of HUD Project-based Shelter Plus Care Rental Assistance.

Project Number CA-20-152

Project Name Ambassador 9%
Site Address: 55 Mason Street
San Francisco, CA 94102 County: San Francisco
Census Tract: 125.010

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,800,000	$0
Recommended:	$1,800,000	$0

Applicant Information

Applicant: Ambassador 9 Percent 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) / Principal Owner(s): Ambassador 9% GP LLC
General Partner Type: Nonprofit
Parent Company(ies): Tenderloin Neighborhood Development Corporation
Developer: Tenderloin Neighborhood Development Corporation
Investor/Consultant: California Housing Partnership Corporation
Management Agent(s): Tenderloin Neighborhood Development Corporation

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 1
Total # of Units: 36
No. & % of Tax Credit Units: 35 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: HUD Shelter Plus Care Project-based Rental Subsidy (22 Units - 63%)

Information

Set-Aside: N/A
Housing Type: Special Needs
Type of Special Needs: Homeless
Average Targeted Affordability of Special Needs/SRO Project Units: 39.00%
% of Special Need Units 31 units 86%
Geographic Area: San Francisco County
TCAC Project Analyst: Jack Waegell

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
At or Below 30% AMI:	15	40%
At or Below 45% AMI:	17	45%
At or Below 50% AMI:	3	8%

Unit Mix

36 SRO/Studio Units
36 Total Units

Unit Type & Number		2020 Rents Targeted % of Area Median Income	2020 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
2	SRO/Studio	30%	5%	$150
2	SRO/Studio	30%	5%	$150
3	SRO/Studio	30%	16%	$483
1	SRO/Studio	30%	30%	$913
7	SRO/Studio	30%	8%	$249
1	SRO/Studio	45%	8%	$255
14	SRO/Studio	45%	8%	$255
2	SRO/Studio	45%	8%	$249
3	SRO/Studio	50%	9%	$282
1	SRO/Studio	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application	
Land and Acquisition	$5,025,000
Construction Costs	$0
Rehabilitation Costs	$8,739,264
Construction Contingency	$1,491,821
Relocation	$832,810
Architectural/Engineering	$536,656
Const. Interest, Perm. Financing	$995,594
Legal Fees	$52,914
Reserves	$142,652
Other Costs	$501,305
Developer Fee	$2,000,000
Commercial Costs	$0
Total	**$20,318,016**

Residential

Construction Cost Per Square Foot:	$260
Per Unit Cost:	$564,389
True Cash Per Unit Cost*:	$521,761

Construction Financing

Source	Amount
US Bank Construction Loan	$14,318,822
CCSF - Assumed Loan**	$1,277,720
Seller Carryback Loan	$1,295,287
Accrued/Deferred Interest	$74,256
Withdrawal of Existing Reserves	$87,931
Deferred Developer Fee	$239,324
Tax Credit Equity	$1,627,348

Permanent Financing

Source	Amount
CCSF - Assumed Loan**	$1,277,720
Seller Carryback Loan	$1,295,287
Accrued/Deferred Interest	$74,256
Withdrawal of Existing Reserves	$87,931
Income from Operations	$56,892
General Partner Equity	$189,805
Deferred Developer Fee	$239,324
Tax Credit Equity	$17,096,801
TOTAL	**$20,318,016**

*Less Donated Land, Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee
**City and County of San Francisco - Assumed Loan

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$13,923,535
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$5,276,113
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$18,100,596
Applicable Rate:	9.00%
Qualified Basis (Acquisition):	$5,276,113
Applicable Rate:	3.24%
Maximum Annual Federal Credit, Rehabilitation:	$1,629,054
Maximum Annual Federal Credit, Acquisition:	$170,946
Total Maximum Annual Federal Credit:	$1,800,000
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,000,000
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	$0.94982

The “as if vacant” land value and the existing improvement value established at application, 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, unless a waiver has been granted for a purchase price not to exceed the sum of third party debt that will be assumed or paid off. 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:	$19,199,648
Actual Eligible Basis:	$19,606,761
Unadjusted Threshold Basis Limit:	$14,060,196
Total Adjusted Threshold Basis Limit:	$20,387,284

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
Seismic Upgrading
95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

Initial:	**Letter of Support**
First:	**Special Needs**
Final:	**15.360%**

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 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 9.0% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.24%. 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 project's estimated per unit cost is $564,389. The applicant noted that the project is located in one of the most expensive cities in California for the construction of multifamily housing, including local hiring and Small Business Enterprise (SBE) requirements. In addition, the project is required to pay prevailing wages. This is a historic building that includes preservation considerations for the project's design and rehabilitation which further adds to the project's cost, as well as the cost of seismic-related upgrades.

The existing project, CA-2000-078, Ambassador Hotel, includes 134 units. The Ambassador 9% project, CA-20-152, will be created by the means of the air-space subdivision of the existing project into this 9% rehabilitation project and a 4% rehabilitation project with 98 units which will be combined with the Ritz Hotel to create a larger, scattered-site 4% project. CA-20-152, Ambassador 9%, will have 36 total units and 35 low-income housing tax credit units spread out on floors 2 through 6, with floors 2 through 5 having 7 units each, and floor 6 having 8 units. The units are "stacked" on floors 2 through 6 along the Mason Street wing of the building.

At the time of the construction closing there will be a partial termination of the existing TCAC regulatory agreement (CA-2000-078). Separate legal descriptions will be established for this project and the remaining 98 units, and the existing TCAC regulatory agreement will be amended to reduce the number of units from 134 units to 98 units. The partial termination document is executed to enable the separation of ownership between Ambassador 9% and Ambassador 4%; it is not intended to remove the existing TCAC regulatory agreement affordability restrictions related to these 36 units. As a result, at the time of the Ambassador 9% construction closing, a regulatory agreement will be executed by the applicant and TCAC for the 36 units and reflect a legal description consistent with the air-space subdivision. When Ambassador 9% is placed in service, the TCAC regulatory agreement will be amended with the final placed in service

In addition to the HUD Shelter Plus Care rental subsidy for 22 units, the City and County of the City of San Francisco will provide a rental subsidy for 9 units from its Proposition 63 Direct Access to Housing (DAH) program for low-income residents of San Francisco who are at least 55 years of age.

Ambassador 9% will have one dedicated on-site manager's unit, and the building itself will have 24-hour desk staffing. The proposed rent does not include a utility allowance. The owner will pay for all utilities.

Some of the project's SRO units are smaller than TCAC's 200 square foot minimum under the special needs housing type requirement, regulation section 10325(g)(3)(I), with some as small as 135 square feet. The Executive Director has approved a waiver of this requirement for this rehabilitation project.

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-2000-078). 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.

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, in general any household determined to be income qualified at the time of move-in under the existing regulatory agreement (CA-2000-078) would be a qualified low-income household for the subsequent allocation (existing household eligibility is "grandfathered"). However, if the applicant anticipates moving existing tenants off-site for an extended period of time, the grandfathering status may no longer apply. Please consult with TCAC staff regarding off-site tenant relocation and grandfathered income qualification.

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 occurring concurrently with a Transfer Even with distribution of Net Project Equity, which is otherwise required to set aside a Short Term Work Capitalized Replacement Reserve in the amount of $189,705. In lieu of a Short Term Work Capitalized Reserve, there is a general partner equity contribution of $189,805, allowing the applicant to use Short Term Work Reserve Amount to fund rehabilitation expenses and to receive eligible basis for that amount.

Legal Status
Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

Local Reviewing Agency
The Local Reviewing Agency, San Francisco Mayor's Office of Housing, has completed a site review of this project and strongly supports this project.

Standard Conditions
The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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 performance deposit and allocation 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.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of fifteen years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(5) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

Points System	**Max. Possible Points**	**Requested Points**	**Points Awarded**
Owner / Management Characteristics	**9**	**9**	**9**
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	**10**	**10**	**10**
Site Amenities	**15**	**15**	**15**
Within ⅓ mile of transit, service every 30 minutes in rush hours	6	6	6
Within ½ mile of public park or community center open to general public	3	3	3
Within ½ mile of public library	3	3	3
Within ½ mile of a weekly farmers' market operating at least 5 months/year	2	2	2
Special Needs project within ½ mile of facility serving tenant population	3	3	3
Within 1 mile of medical clinic or hospital	2	2	2
In-unit high speed internet service	2	2	2
Service Amenities	**10**	**10**	**10**
SPECIAL NEEDS HOUSING TYPE			
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 360 bdrms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	5	5	5
Sustainable Building Methods	**5**	**5**	**5**
REHABILITATION			
Develop project in accordance w/ requirements: GreenPoint Rated Existing H	5	5	5
Rehabilitate to improve energy efficiency (change in HERS II rating): 15.0%	3	3	3
Lowest Income	**52**	**52**	**52**
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
Readiness to Proceed	**10**	**5**	**5**
Miscellaneous Federal and State Policies	**2**	**2**	**2**
Revitalization Area Project	2	2	2
Total Points	**113**	**108**	**108**

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.