CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
January 19, 2022

600 7th Street, located at 600 7th Street in San Francisco, requested and is being recommended for a reservation of $5,309,190 in annual federal tax credits to finance the new construction of 220 units of housing serving special needs tenants with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Mercy Housing California and will be located in Senate District 11 and Assembly District 17.

The project financing includes state funding from HCD's NPLH and IIG programs.

Project Number CA-21-760

Project Name 600 7th Street
Site Address: 600 7th Street
San Francisco, CA 94103 County: San Francisco
Census Tract: 18000.00

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$5,309,190	$0
Recommended:	$5,309,190	$0

Applicant Information
Applicant: Mercy Housing California 97, L.P.
Contact: Kion Sawney
Address: 1256 Market Street
San Francisco, CA 94102
Phone: 415 355-7146
Email: kion.sawney@mercyhousing.org

General Partner(s) or Principal Owner(s): Mercy Housing California 97, LLC
General Partner Type: Nonprofit
Parent Company: Mercy Housing Calwest
Developer: Mercy Housing California
Bond Issuer: City and County of San Francisco
Investor/Consultant: California Housing Partnership Corporation
Management Agent: Mercy Housing Management Group

Project Information

Construction Type:	New Construction	
Total # Residential Buildings:	1	
Total # of Units:	221	
No. / % of Low Income Units:	220	100.00%
Federal Set-Aside Elected:	40%/60% Average Income	
Federal Subsidy:	Tax-Exempt	

Information

Housing Type:	Special Needs
Geographic Area:	San Francisco County
TCAC Project Analyst:	Ruben Barcelo

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
30% AMI:	65	30%
50% AMI:	78	35%
60% AMI:	41	19%
80% AMI:	36	16%

Unit Mix

100	SRO/Studio Units
23	1-Bedroom Units
83	2-Bedroom Units
15	3-Bedroom Units
221	Total Units

Unit Type & Number		2021 Rents Targeted % of Area Median Income	Proposed Rent (including utilities)
45	SRO/Studio	30%	$387
3	1 Bedroom	30%	$402
10	2 Bedrooms	30%	$444
7	3 Bedrooms	30%	$486
55	SRO/Studio	50%	$387
4	1 Bedroom	50%	$1,331
19	2 Bedrooms	50%	$1,498
7	1 Bedroom	60%	$1,598
28	2 Bedrooms	60%	$1,799
6	3 Bedrooms	60%	$1,997
9	1 Bedroom	80%	$2,131
25	2 Bedrooms	80%	$2,398
2	3 Bedrooms	80%	$2,665
1	2 Bedrooms	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$412,638
Construction Costs	$107,486,612
Rehabilitation Costs	$0
Construction Hard Cost Contingency	$4,751,769
Soft Cost Contingency	$1,201,743
Relocation	$0
Architectural/Engineering	$4,638,000
Const. Interest, Perm. Financing	$11,965,652
Legal Fees	$105,000
Reserves	$1,776,613
Other Costs	$2,932,824
Developer Fee	$4,160,000
Commercial Costs	$0
Total	**$139,430,851**

Residential

Construction Cost Per Square Foot:	$775
Per Unit Cost:	$630,909
True Cash Per Unit Cost*:	$628,646

Construction Financing

Source	Amount
Chase Bank Tax-Exempt Loan	$71,076,486
Chase Bank Taxable Loan	$4,121,270
SF MOHCD Loan	$52,375,986
SF MOHCD Accrued Interest	$2,026,665
Deferred Costs	$4,580,891
Deferred Developer Fee	$500,000
Tax Credit Equity	$4,749,553

Permanent Financing

Source	Amount
Chase Bank Tax-Exempt Loan	$12,889,000
SF MOHCD Loan	$52,375,986
SF MOHCD Accrued Interest	$2,026,665
HCD - NPLH Loan	$17,500,000
HCD - IIG Loan	$3,706,167
AHP	$1,250,000
Deferred Developer Fee	$500,000
Tax Credit Equity	$49,183,033
TOTAL	**$139,430,851**

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

Determination of Credit Amount(s)

Requested Eligible Basis:	$132,729,758
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	$132,729,758
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	$5,309,190
Approved Developer Fee (in Project Cost & Eligible Basis):	$4,160,000
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	$0.92638

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.

Significant Information / Additional Conditions

The estimated cost of the project is $628,646 per unit. This cost is due to several factors, including escalating costs of construction materials and labor, a requirement to hire local and small business vendors and suppliers, special handling and disposal of contaminated soil discovered on the site, a special vapor mitigation system requirement, special structural roofing design to support the required PV system, oversized foundation and pile supports required by San Francisco's unique geology, and the project's urban infill location that requires special traffic control and offsite storage.

The project has committed to provide 1 on-site manager unit. In lieu of a 2nd on-site manager unit, the project is committing to employ an equivalent number of on-site full-time property management staff (at least one of whom is a property manager) and provide an equivalent number of desk or security staff who are not tenants and who are capable of responding to emergencies for the hours when property management staff is not working. All staff or contractors performing desk or security work shall be knowledgeable of how the property's fire system operates and be trained in, and have participated in, fire evacuation drills for tenants. CTCAC reserves the right to require that one or more on-site managers' units be provided and occupied by property management staff if, in its sole discretion, it determines as part of any on-site inspection that the project has not been adequately operated and/or maintained.

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.

If the applicant has requested the use of a CUAC utility allowance, TCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from TCAC, this project is not eligible to use a utility allowance based on the CUAC.

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.