

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
December 6, 2023**

The project, 1633 Valencia, located at 1633 Valencia Street in San Francisco, requested and is being recommended for a reservation of \$2,848,898 in annual federal tax credits to finance the new construction of 145 units of housing serving 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 19.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

Project Number CA-23-630

Project Name 1633 Valencia
Site Address: 1633 Valencia Street
San Francisco, CA 94110
County: San Francisco
Census Tract: 253.00

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,848,898	\$0
Recommended:	\$2,848,898	\$0

Applicant Information

Applicant: Mercy Housing California 108, L.P.
Contact: Clare Murphy
Address: 1256 Market Street
San Francisco, CA 94102
Phone: 415-355-7127
Email: cmurphy@mercyhousing.org

General Partner(s) or Principal Owner(s): Mercy Housing California 108 LLC
General Partner Type: Nonprofit
Parent Company(ies): Mercy Housing California
Developer: Mercy Housing California
Bond Issuer: California Housing Finance Agency
Investor/Consultant: California Housing Partnership
Management Agent: Mercy Housing Management Group

Project Information

Construction Type: New Construction
Total # Residential Building: 1
Total # of Units: 146
No. / % of Low Income Unit: 145 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (145 Units - 100%)

Information

Housing Type: Non-Targeted
 Geographic Area: San Francisco County
 CTCAC Project Analyst: Cynthia Compton

55-Year Use / Affordability

Aggregate Targeting	Number of Units	Percentage of Affordable Units
30% AMI:	72	50%
50% AMI:	29	20%
60% AMI:	44	30%

Unit Mix

145 SRO/Studio Units
<u>1 2-Bedroom Units</u>
146 Total Units

Unit Type & Number	2023 Rents Targeted % of Area Median Income	Proposed Rent (including utilities)
72 SRO/Studio	30%	\$975
29 SRO/Studio	50%	\$1,626
44 SRO/Studio	60%	\$1,885
1 2 Bedrooms	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$6,884,850
Construction Costs	\$57,043,869
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$2,885,484
Soft Cost Contingency	\$750,000
Relocation	\$0
Architectural/Engineering	\$1,771,847
Const. Interest, Perm. Financing	\$7,764,640
Legal Fees	\$493,840
Reserves	\$1,373,627
Other Costs	\$2,370,921
Developer Fee	\$2,500,000
Commercial Costs	\$0
Total	\$83,839,078

Residential

Construction Cost Per Square Foot:	\$829
Per Unit Cost:	\$574,240
True Cash Per Unit Cost*:	\$574,240

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Chase: Tax-Exempt	\$42,799,116	Chase: Tax-Exempt	\$39,936,000
SFHAF ¹	\$35,309,207	SFHAF ¹	\$16,798,792
General Partner Equity	\$100	General Partner Equity	\$100
Deferred Costs	\$3,238,487	Tax Credit Equity	\$27,104,186
Tax Credit Equity	\$2,492,169	TOTAL	\$83,839,078

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

¹ San Francisco Housing Accelerator Fund

Determination of Credit Amount(s)

Requested Eligible Basis:	\$71,222,449
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$71,222,449
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	\$2,848,898
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	California Housing Partnership
Federal Tax Credit Factor:	\$0.95139

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: None.

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.

CTCAC 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 CTCAC.

The applicant must pay CTCAC a reservation fee calculated in accordance with regulation. Additionally, CTCAC 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 CTCAC 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, CTCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from CTCAC, 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 CTCAC 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 CTCAC in its final feasibility analysis.

CDLAC Additional Conditions

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the CTCAC placed in service review, CTCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.

If points were awarded by CDLAC for housing type, the project shall comply with the housing type requirements at the time of CTCAC's Placed In Service review. The housing type requirement shall be conditioned in the CTCAC Regulatory Agreement and CTCAC Compliance staff shall verify the project is meeting those housing type requirements, consistent with California Code of Regulations, title 4, section 10322(i).