

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report  
Tax-Exempt Bond Project  
February 21, 2007**

**Project Number** CA-2007-800

**Project Name** 9<sup>th</sup> & Jessie Senior Housing

Address: 66 Ninth Street  
San Francisco, CA 94103

County: San Francisco

**Applicant Information**

Applicant: Mercy Housing California XXXIV, a California Limited Partnership

Contact Valerie Agostino

Address: 1360 Mission Street, Suite 300  
San Francisco, CA 94103

Phone: (415) 355-7150

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Sponsors Type: Nonprofit

**Bond Information**

Issuer: Redevelopment Agency of the City and County of San Francisco

Expected Date of Issuance: June 14, 2007

Credit Enhancement: N/A

**Eligible Basis**

Actual: \$46,770,728

Requested: \$30,195,058

Maximum Permitted: \$30,195,058

Extra Feature Adjustments:

Required to Pay Prevailing Wages: 20%

Parking Beneath Residential Units: 7%

55-Year Use/Rent Restriction Adjustment: 80%

3 or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features: 4%

Seismic Upgrading of Existing Structures and/or Toxic or Other Environmental Mitigation: Up to 15%

Local Development Impact Fees:

**Tax Credit Amounts**

**Federal/Annual**

**State/Total**

Requested: \$1,413,129

\$0

Recommended: \$1,413,129

\$0

**Project Information**

Construction Type: New Construction

Federal Subsidy: Tax-Exempt

HCD MHP Funding: No

Total # of Units: 107

Total # Residential Buildings: 1

**Income/Rent Targeting**

Federal Setaside Elected: 40%/60%

% & No. of Targeted Units: 100% - 106 units

55-Year Use/Affordability Restriction: Yes

Number of Units @ or below 50% of area median income: 32

Number of Units @ or below 60% of area median income: 74

<u>Unit Type &amp; Number</u>	<u>2007 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
6 Studio	50%	\$250
14 Studio	60%	\$250
26 One-Bedroom	50%	\$250
60 One-Bedroom	60%	\$250
1 Two-Bedroom	Manager's Unit	\$1,000

The general partner or principal owner is Mercy Housing West.

The project developer is Mercy Housing California.

The management services will be provided by Mercy Services Corporation.

The market analysis was provided by Newport Realty Advisors.

The Local Reviewing Agency, the San Francisco Redevelopment Agency, has completed a site review of this project and strongly supports this project.

**Project Financing**

Estimated Total Project Cost: \$49,640,578    Per Unit Cost: \$463,931    Construction Cost Per Sq. Foot: \$378

<u>Construction Financing</u>		<u>Permanent Financing</u>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Union Bank of CA	\$27,330,000	Mercy Housing West	\$12,626,500
GP Loan	\$12,626,500	San Francisco RDA	\$19,877,407
San Francisco RDA	\$7,269,148	San Francisco RDA - Grant	\$872,214
San Francisco RDA - Grant	\$872,214	AHP	\$535,000
AHP	\$535,000	GP Equity	\$10,000
GP Equity	\$10,000	City of San Francisco - Grant	\$89,144
City of San Francisco - Grant	\$89,144	Investor Equity	\$15,630,313
		<b>TOTAL</b>	<b>\$49,640,578</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$30,195,057
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis:	\$39,253,574
Applicable Rate:	3.60%
Total Maximum Annual Federal Credit:	\$1,413,129
Approved Developer Fee:	\$1,600,000
Tax Credit Factor:	\$1.06

Applicant requests and staff recommends annual federal credits of \$1,413,129 based on a qualified basis of \$39,253,574 and a funding shortfall of \$15,630,313.

**Cost Analysis and Line Item Review**

The requested eligible basis \$30,195,058 is at the TCAC's adjusted threshold basis limit \$30,195,058. The basis limit includes the adjustment for extraordinary features for the 80% adjustment for the 55-year use/affordability restriction for projects that have 50% or more tax-credit units and are located in a DDA/QCT, projects that are required to pay state or federal prevailing wages, projects that are required to provide parking beneath the residential units, projects requiring seismic upgrading of existing structures, and/or requiring toxic or other environmental mitigation as certified by the project architect, local development impact fees, the adjustment for projects with 3 or more energy efficiency/resource conservation/indoor air quality items. Staff analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitation.

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 3.60% of the qualified basis. Unless the applicant fixed the rate at bond issuance, the Federal Rate applicable to the month the project is placed-in-service will be used to determine the final allocation.

**Special Issues/Other Significant Information:** 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.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

**Recommendation:** Staff recommends that the Committee make a reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal/Annual	State/Total
<b>\$1,413,129</b>	<b>\$0</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.

TCAC makes the 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 will be permitted without the express approval of TCAC.

The applicant must pay TCAC an 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 anticipated to be the final project costs, staff recommends that a reservation be made in the amount of federal credit shown above on condition that the final project costs be supported by itemized lender approved costs, and certified costs of the buildings as completed.

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 credits 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.

**Additional Conditions:** None.

Project Analyst: Elaine Johnson