

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**February 21, 2007**

**Project Number** CA-2007-803

**Project Name** Arnett Watson Apartments  
Address: 650 Eddy Street  
San Francisco, CA 94102

County: San Francisco

**Applicant Information**

Applicant: 650 Eddy, L.P.  
Contact: Nick Griffin  
Address: 201 Eddy Street  
San Francisco, CA 94102  
Phone: (415) 358-3934  
Sponsors Type: Nonprofit

Fax: (415) 614-9654

**Bond Information**

Issuer: City and County of San Francisco  
Expected Date of Issuance: March 13, 2007  
Credit Enhancement: N/A

**Eligible Basis**

Actual: \$31,490,799  
Requested: \$23,420,195  
Maximum Permitted: \$23,420,195

Extra Feature Adjustments:

Required to Pay Prevailing Wages: 20%

Parking Beneath Residential Units: 7%

100% of the Units are for Special Needs Populations: 2%

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:	\$1,096,065	\$0
Recommended:	\$1,096,065	\$0

**Project Information**

Construction Type: New Construction  
Federal Subsidy: Tax-Exempt  
HCD MHP Funding: Yes  
Total # of Units: 83  
Total # Residential Buildings: 1

**Income/Rent Targeting**

Federal Setaside Elected: 40%/60%  
% & No. of Targeted Units: 100% - 83 units  
55-Year Use/Affordability Restriction: Yes  
Number of Units @ or below 50% of area median income: 83  
Number of Units @ or below 60% of area median income: 0

<u>Unit Type &amp; Number</u>	<u>2007 Rents % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
36 Studio	50%	\$198
33 One-Bedroom	50%	\$212
14 Two-Bedroom	50%	\$254

The general partner or principal owner is CHP Eddy LLC.

The project developer is Tenderloin Neighborhood Development Corp. Community Housing Partnership.

The management services will be provided by Community Housing Partnership.

The market analysis was provided by Mary Ellen Shay.

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

**Project Financing**

Estimated Total Project Cost: \$33,482,920    Per Unit Cost: \$397,333    Construction Cost Per Sq. Foot: \$382

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Citibank	\$19,300,000	City & County of San Francisco	\$14,547,421
City & County of San Francisco	\$14,547,421	HCD-MHP	\$7,000,000
AHP	\$581,000	AHP	\$581,000
GP Equity	\$55,000	GP Equity	\$55,000
		Deferred Fee	\$149,500
		Investor Equity	\$11,149,999
		<b>TOTAL</b>	<b>\$33,482,920</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$23,420,195
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis:	\$30,446,253
Applicable Rate:	3.60%
Total Maximum Annual Federal Credit:	\$1,096,065
Approved Developer Fee:	\$1,189,795
Tax Credit Factor:	\$1.01

Applicant requests and staff recommends annual federal credits of \$1,096,065 based on a qualified basis of \$30,446,253 and a funding shortfall of \$11,149,999.

**Cost Analysis and Line Item Review**

The requested eligible basis \$23,420,195 is at TCAC's adjusted threshold basis limit \$23,420,195. The basis limit includes the adjustment for extraordinary features for the 80% adjustment for the 55-year use/affordability restriction for projects that have more than 50% 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 where 100% of the units are for special needs populations, 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 and 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>\$1,096,065</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