CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
January 28, 2009

Project Number CA-2008-964

Project Name Nihonmachi Terrace
Address: 1615 Sutter Street
San Francisco, CA 94019 County: San Francisco

Applicant Information

Applicant:	Nihonmachi Terrace Limited Partnership	
Contact	Will Tsukamoto	
Address:	1615 Sutter Street	
	San Francisco, CA 94109	
Phone:	(415) 282-4546	Fax: (415) 648-6226
Email:	willtsukamoto@yahoo.com	
Sponsors Type:	Nonprofit	

Information
Housing Type: Non-targeted

Bond Information

Issuer:	San Francisco Redevelopment Agency
Expected Date of Issuance:	April 13, 2009
Credit Enhancement:	None

Eligible Basis

Actual:	$32,710,523
Requested:	$32,710,523
Maximum Permitted:	$131,981,019

Extra Feature Adjustments:
Required to pay Prevailing Wages: 20% ☒
55-Year Use/Affordability Restriction - Each 1% of Low-Income Units are Income Targeted Between 50% AMI & 36% AMI: 74% ☒

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,144,654	$0
Recommended:	$1,144,654	$0

Project Information

Construction Type:	Rehabilitation and Acquisition
Federal Subsidy:	Tax-Exempt/HUD Section 8
HCD MHP Funding:	No
Total # of Units:	245
Total # Residential Buildings:	7

Income/Rent Targeting

Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 243 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 180
Number of Units @ or below 60% of area median income: 63

Unit Type & Number		2009 Rents % of Area Median Income	Proposed Rent (including utilities)
51	Studio	50%	$825
74	One-Bedroom	50%	$944
39	One-Bedroom	50%	$944
28	One-Bedroom	60%	$1,079
10	Two-Bedroom	50%	$1,061
20	Two-Bedroom	60%	$1,273
5	Three-Bedroom	50%	$1,153
12	Three-Bedroom	60%	$1,415
1	Four-Bedroom	50%	$1,242
3	Four-Bedroom	60%	$1,528
1	One-Bedroom	Manager's Unit	$1,000
1	Three-Bedroom	Manager's Unit	$1,400

The general partner or principal owner is the Japanese American Religious Federation Housing, Inc.

The project developer is the Japanese American Religious Federation Housing, Inc.

The management services will be provided by the John Stewart Company.

The market analysis was provided by Sweetser & Newman.

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: $34,896,443

Residential Cost: $34,863,443 Per Unit Cost: $142,300 Construction Cost Per Sq. Foot: $135

Commercial Cost: $33,000

Construction Financing		Permanent Financing	
Source	**Amount**	**Source**	**Amount**
Citigroup – Tax-Exempt Bonds	$26,000,000	Citibank – Tax-Exempt Bonds	$23,249,000
Citigroup AHP	$980,000	Citibank AHP	$980,000
JARF Housing Note	$1,794,794	JARF Housing Note	$1,567,343
LP Capital	$3,079,758	GP Capital	$100
GP Capital	$100	Investor Equity	$9,100,000
Deferred Costs	$3,041,791	**TOTAL**	**$34,896,443**

Determination of Credit Amount(s)

Requested Rehabilitation Eligible Basis:	$28,343,523
Requested Acquisition Eligible Basis:	$4,367,000
130% High Cost Adjustment:	No
Applicable Fraction:	100%
Qualified Rehabilitation Basis:	$28,343,523
Qualified Acquisition Basis:	$4,367,000
Applicable Rate:	3.50%
Maximum Annual Federal Rehabilitation Credit:	$991,809
Maximum Annual Federal Acquisition Credit:	$152,845
Total Maximum Annual Federal Credit:	$1,144,654
Approved Developer Fee:	$2,000,000
Tax Credit Factor: *Devine & Gong*	$0.7950

Applicant requests and staff recommends annual federal credits of $1,144,654, based on a qualified rehabilitation basis of $28,343,523, a qualified acquisition basis of $4,367,000, and a funding shortfall of $9,100,000.

Cost Analysis and Line Item Review

The requested eligible basis $32,710,523 is below TCAC's adjusted threshold basis limit $131,981,019. The basis limit includes the adjustment for extraordinary features for projects that are required to pay state or federal prevailing wages and 55-year use/affordability restriction for projects where each 1% of low-income units are income targeted between 50% AMI & 36% AMI. Staff analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitation.

Annual operating expenses do not meet the the minimum operating expenses established in the Regulations (See "Special Issues/Other Significant Information" section below), and the project pro forma shows a positive cash flow from year one.

Staff has calculated federal tax credits based on 3.50% 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: Staff has determined that the applicant has provided the documentation required to utilize operating expenses up to 15% less than required pursuant to the Regulations.

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
$1,144,654	**$0**

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.

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.

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: The applicant/owner is required to provide the tenants with educational classes and contract for services for a minimum of ten (10) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC.

Project Analyst: Anthony Zeto