

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2009 Cash in Lieu of Credits – Section 1602/TCAP Funds**

**January 27, 2010**

**REVISED**

**Project Number** CA-2010-510

**Project Name** Arlington Hotel

Address: 480 Ellis Street  
San Francisco, CA 94102

County: San Francisco

**Applicant Information**

Applicant: Mercy Housing California XL, a California LP

Contact Valerie Agostino

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

Phone: (415) 355-7150 Fax: (415) 355-7101 Email: vagostino@mercyhousing.org

General Partner Type: Nonprofit

The general partner or principal owner is Mercy Housing Calwest.

**Project Information**

Construction Type: Acquisition and Rehabilitation

Federal Subsidy: Tax-Exempt

HCD MHP Funding: Yes

Total # of Units: 154

Total # Residential Buildings: 1

Federal Setaside Elected: 40%/60%

% & No. of Targeted Units: 100% - 153 units

**Information**

Housing Type: Single Room Occupancy (SRO) Proposed Average Affordability: 40.000%

**Davis-Bacon Required:** Yes

**NEPA Required:** Yes

**State Prevailing Wages Required:** Yes

**15% Prevailing Wage Adjustment:** \$0

**2009 TCAC Project Number:** CA-2009-848

**2009 Annual Federal Tax Credits Reserved:** \$1,537,927

**2009 Federal Reserved Tax Credits Exchanged/Returned:** \$1,537,827

**2009 Federal Reserved Tax Credits Retained:** \$100

**Original Net Equity Factor: (maximum \$0.80 for 2009)** \$0.80 Fed

**Calculated Amount of Cash Requested:**  $(\$1,537,827 \times 10 \times 0.80) = \$12,302,616$

**Total Cash Award Recommended:** \$12,302,616 \*

\* \$12,302,616 will consist of ~~\$3,547,202~~ ~~\$3,547,026~~ \$3,546,276 (Section 1602 Funds) & ~~\$8,755,414~~ ~~\$8,755,590~~ \$8,756,340 (TCAP Funds).

ARRA Scoring Criteria	Max. Possible Points	Points Awarded
<b>Housing Type Points (Maximum of 50 points)</b>		
<input checked="" type="checkbox"/> Single Room Occupancy (SRO) Project	50	50.000
<b>Total Project Cost/Cash Request Points (Maximum of 100 points)</b>		
<input checked="" type="checkbox"/> Other Project		
Total Project Cost: \$41,617,411		
Cash Award Request: \$12,302,616		
Total Points Awarded: 100 - (\$12,302,616/\$41,617,411 X 100) = 70.4388	100	70.4388
<b>Total Average Affordability Points (Maximum of 100 points)</b>		
Projects Original Proposed Average Affordability: 40.0000%		
60% - Average Affordability X 5 Points = (60% - : 40.0000%) X 5 = 100	100	100.0000
<b>Total 15-Year Project-Based Rental Assistance Points (Maximum of 25 points)</b>		
<input checked="" type="checkbox"/> Project with Less than 100% 15-Year Project-Based Rental Assistance: 54%		
25 Points – ((100% minus 54%) divided by 2, then result rounded down)	25	2.0000
<b>Total Points</b>	<b>275</b>	<b>222.4388</b>

**Income/Rent Targeting**

55-Year Use/Affordability Restriction: Yes  
 Number of Units @ or below 40% of area median income: 154

**Approved 2009 TCAC Proposed Rent and Income Levels**

Unit Type & Number	% of Area Median Income	Proposed Rent (including utilities)
83 SRO Units	40%	\$200
70 SRO Units	40%	\$740
1 SRO Unit	Manager's Unit	\$0

**Project Financing**

Estimated Total Project Cost: \$45,307,613  
 Estimated Residential Cost: \$41,617,411  
 Per Unit Cost: \$270,243  
 Estimated Commercial Cost: \$3,690,202

Construction Financing		Permanent Financing	
Wells Fargo Bank	\$16,629,014	HCD - MHP	\$10,000,000
HCD/Special User Rehab Program	\$1,720,000	HCD/Special User Rehab Program	\$1,720,000
HCD/CHRP-R	\$2,914,238	HCD/CHRP-R	\$2,914,238
City of San Francisco (existing)	\$2,014,588	City of San Francisco (existing)	\$2,014,588
City of San Francisco, SSLP	\$10,524,194	City of San Francisco, SSLP	\$10,524,194
City of San Francisco (new)	\$5,831,178	City of San Francisco (new)	\$5,831,178
TCAC ARRA Funds	\$4,921,046	Investor Equity	\$799
		TCAC ARRA Funds	\$12,302,616

<u>TCAC ARRA Funds (Section 1602)</u>	<u><del>\$3,547,202</del></u>
	<u><del>\$3,547,026</del></u>
	<u>\$3,546,276</u>
<u>TCAC ARRA Funds (TCAP)</u>	<u><del>\$8,755,414</del></u>
	<u><del>\$8,755,590</del></u>
	<u>\$8,756,340</u>
<b>TOTAL</b>	<b>\$45,307,613</b>

### Income and Expense Statement for Year 1

<b>Gross Residential Rents:</b>	\$820,800
<b>Rental Subsidy Income:</b>	\$458,160
<b>Miscellaneous Income:</b>	\$4,032
<b>Vacancy Rate: 10%</b>	(\$82,483)
<b>Total Effective Gross Income:</b>	\$1,200,509
<b>Less Total Expenses/Reserves:</b>	\$1,146,421
<b>Net Operation Income:</b>	\$54,088
<b>Debt Service:</b>	\$42,000
<b>Net Cash Flow</b>	\$12,088
<b>Debt Service Ratio:</b>	1.28 to 1

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 analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitations.

### Standard Conditions

The Committee may make a Conditional Reservation of American Recovery and Reinvestment Act of 2009 (ARRA), Section 1602 funds for the project. This Conditional Reservation would not constitute a commitment. The provision of any funds is conditioned on TCAC's determination to proceed with, modify or cancel the project based on further underwriting and review.

Numbers contained in the proposed financing are subject to update and will be refined within 30 days of loan execution agreement.

The Committee may make a Conditional Reservation of American Recovery and Reinvestment Act of 2009 (ARRA), Tax Credit Assistance Program (TCAP) funds for the project sponsor. This Conditional Reservation would not constitute a commitment of funds or site approval, and that such commitment of funds or approval may occur only upon satisfactory completion of environmental review and receipt by the California Tax Credit Allocation Committee of a release of funds from the U.S. Department of Housing and Urban Development under 24 CFR Part §58. The provision of any funds to the project is conditioned on TCAC's determination to proceed with, modify or cancel the project based on the results of a subsequent environmental review and further underwriting.

The project sponsor is prohibited from undertaking or committing any funds to physical or choice-limiting actions, including property acquisition, demolition, movement, rehabilitation, conversion, repair or construction prior to the environmental clearance. A violation of this provision may result in the denial of any funds.

In addition, each project ultimately awarded ARRA TCAP funds will have to comply with all federal requirements, such as Section 504, Davis-Bacon federal labor standards laws, anti-lobbying requirements, lead-based paint rules, and other federal laws.

All ARRA funded projects will be required to track and report on all jobs created or retained as a result of the funds.