

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**2010 Second Round**  
**September 22, 2010**

**Project Number** CA-2010-234

**Project Name** Veterans Commons (150 Otis Street)  
Site Address: 150 Otis Street  
San Francisco, CA 94103 County: San Francisco  
Census Tract: 201.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,576,637	\$0
Recommended:	\$1,576,637	\$0

**Applicant Information**

Applicant: 150 Otis Associates, L.P.  
Contact: Whitney Jones  
Address: 1515 Vallejo Street, 4th Floor  
San Francisco, CA 94109  
Phone: 415-929-0757 Fax: 415-929-1499  
Email: wjones@chinatowncdc.org

General partner(s) or principal owner(s): CCDC 150 Otis LLC  
Swords 150 Otis LLC  
General Partner Type: Nonprofit  
Developer: 150 Otis Associates, L.P.  
Investor/Consultant: California Housing Partnership Corporation  
Management Agent: Chinatown Community Development Center

**Project Information**

Construction Type: Rehabilitation  
Total # Residential Buildings: 1  
Total # of Units: 76  
No. & % of Tax Credit Units: 75 100%  
Federal Set-Aside Elected: 40%/60%  
Federal Subsidy: HOME / CDBG  
Average Affordability of Special Needs/SRO Project Units: 13.50%  
Affordability Breakdown by % (Lowest Income Points):  
30% AMI: 40 %  
40% AMI: 15 %  
50% AMI: 40 %

**Information**

Set-Aside: Special Needs/SRO  
 Housing Type: Special Needs  
 Type of Special Needs: Homeless  
 % of Special Need Units: 57 units 75%  
 Geographic Area: San Francisco County  
 TCAC Project Analyst: Gina Ferguson

**Unit Mix**

76 SRO/Studio Units  
76 Total Units

<u>Unit Type &amp; Number</u>	<u>2010 Rents Targeted % of Area Median Income</u>	<u>2010 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
31 SRO/Studio	30%	13%	\$254
14 SRO/Studio	40%	13%	\$254
30 SRO/Studio	50%	13%	\$254
1 SRO/Studio	Manager's Unit	Manager's Unit	\$0

**Project Financing**

Estimated Total Project Cost: \$32,918,269      Construction Cost Per Square Foot: \$385  
 Per Unit Cost: \$433,135

<b>Construction Financing</b>		<b>Permanent Financing</b>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Union Bank of California	\$15,100,000	SFRA Mayor's Office of Housing	\$8,350,000
SFRA Mayor's Office of Housing	\$8,350,000	SFRA Land Lease	\$6,100,000
SFRA Land Lease	\$6,100,000	MHSA	\$800,000
Deferred Costs	\$1,338,126	AHP	\$375,000
Tax Credit Equity	\$2,030,143	Historic Tax Credit Equity	\$4,782,671
		Tax Credit Equity	\$12,510,598
		<b>TOTAL</b>	<b>\$32,918,269</b>

SFRA=San Francisco Redevelopment Agency

**Determination of Credit Amount(s)**

Requested Eligible Basis: \$13,475,532  
 130% High Cost Adjustment: Yes  
 Applicable Fraction: 100.00%  
 Qualified Basis: \$17,518,192  
 Applicable Rate: 9.00%  
 Total Maximum Annual Federal Credit: \$1,576,637  
 Approved Developer Fee in Project Cost: \$2,000,000  
 Approved Developer Fee in Eligible Basis: \$1,400,000  
 Investor/Consultant: California Housing Partnership Corporation  
 Federal Tax Credit Factor: \$0.79350

Per Regulation Section 10322(i)(4)(A), The “as if vacant” land value and the existing improvement value established at application, as well as the eligible basis amount derived from those values, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Per Regulation Section 10327(c)(2)(C), Once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis.

**Eligible Basis and Basis Limit**

Requested Unadjusted Eligible Basis:	\$13,475,532
Actual Eligible Basis:	\$18,925,737
Unadjusted Threshold Basis Limit:	\$16,130,924
Total Adjusted Threshold Basis Limit:	\$21,817,766

**Adjustments to Basis Limit:**

Required to Pay Prevailing Wages

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

- Projects exceeding Title 24 by at least 15%
- Projects using tank less water heaters, a high efficiency condensing boiler (92% AFUE or greater), or a solar thermal domestic hot water pre-heating system
- Projects using a Minimum Efficiency Report Value (MERV) 8 or higher air filter for HVAC systems that introduce outside air
- Projects using CRI Green Label Plus Carpet or no carpet in all bedrooms
- Projects using vent kitchen range hoods to the exterior of the building in at least 80% of the units

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

**Tie-Breaker Information**

First:	<b>Special Needs</b>
Second:	<b>102.960%</b>

**Cost Analysis and Line Item Review**

Staff analysis of project costs to determine reasonableness found all fees to be within TCAC’s underwriting guidelines and TCAC limitations. 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 9.00% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.40%. Applicants are cautioned to consider the expected federal rate when negotiating with investors. TCAC's financial evaluation at project completion will determine the final allocation.

**Special Issues/Other Significant Information**

The applicant has requested and been granted waivers for minimum construction standards related to landscaping and roofs under Regulation Sections 10325(f)(7)(A) and (B).

The project will receive an operating subsidy through the City of San Francisco's Local Operating Subsidy Program (LOSP).

The project will have 24-hour desk staff available onsite.

**Legal Status:** Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

**Local Reviewing Agency:**

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

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

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$1,576,637</b>	<b>\$0</b>

**Standard Conditions**

The applicant must submit all documentation required for a Carryover Allocation, any Readiness 150-Day Requirements elected, and a Final Reservation. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

TCAC 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 TCAC.

The applicant must pay TCAC a performance deposit and 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 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 TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit 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.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of ten years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(6) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

**Additional Conditions:** None

<b>Points System</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Cost Efficiency / Credit Reduction / Public Funds</b>	<b>20</b>	<b>20</b>	<b>20</b>
Public Funds	20	20	20
<b>Owner / Management Characteristics</b>	<b>9</b>	<b>9</b>	<b>9</b>
General Partner Experience	6	6	6
Management Experience	3	3	3
<b>Housing Needs</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Site Amenities</b>	<b>15</b>	<b>15</b>	<b>15</b>
Within ¼ mile of transit stop, service every 30 min, 25 units/acre density	7	7	7
Within ½ mile of public park or community center open to general public	2	2	2
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Within 1 mile of medical clinic or hospital	2	2	2
Within ½ mile of a pharmacy	1	1	1
In-unit high speed internet service	2	2	2
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Health/wellness or skill-building classes, minimum instruction of 60 hrs/yr	5	5	5
<b>Sustainable Building Methods</b>	<b>8</b>	<b>8</b>	<b>8</b>
New construction/adaptive reuse energy efficiency 10% above Title 24	4	4	4
Energy star rated ceiling fans in bedroom/living room; whole house fan	2	2	2
Flow restrictors for kitchen & bath faucets or water-saving fixtures	1	1	1
Minimum 1 High Efficiency Toilet (1.3 gpf) or dual flush	2	2	2
Formaldehyde free cabinets, countertops and shelving	1	1	1
No-VOC interior paint	1	1	1
Bathroom fans in all bathrooms w/humidistat, timer and outdoor exhaust	2	2	2
Formaldehyde-free insulation	1	1	1
Recycled materials incorp. into concrete, carpet, road base, landscape	1	1	1
Construction Indoor Air Quality Management plan	2	2	2
Project design incorporates Universal Design	1	1	1
Project proposed to use Historic Tax Credits	1	1	1
LEED/Green Communities/GreenPoint Rated Multifamily Guidelines	8	8	8
<b>Lowest Income</b>	<b>52</b>	<b>52</b>	<b>52</b>
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b>	<b>20</b>	<b>20</b>	<b>20</b>
<b>State Credit Substitution</b>	<b>2</b>	<b>2</b>	<b>2</b>
<b>Total Points</b>	<b>146</b>	<b>146</b>	<b>146</b>

**Please Note:** If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

**DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.**