

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**November 16, 2011**

**Project Number** CA-2011-921

**Project Name** Woolf House  
Site Address: 801-805 Howard Street  
San Francisco, CA 94103 County: San Francisco  
Census Tract: 178.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,941,075	\$0
Recommended:	\$1,941,075	\$0

**Applicant Information**

Applicant: Woolf House Partners LP  
Contact: Hector P. Burgos, Jr.  
Address: 230 4th. Street  
San Francisco, CA 94103  
Phone: (415) 896-1981 Fax: (415) 896-0358  
Email: hector@todco.org

General partner(s) or principal owner(s): Woolf House GP, LLC  
General Partner Type: Nonprofit  
Developer: GP/TODCO-A, Inc.  
Investor/Consultant: Bank of America  
Management Agent: The John Stewart Company

**Project Information**

Construction Type: Acquisition & Rehabilitation  
Total # Residential Buildings: 2  
Total # of Units: 182  
No. & % of Tax Credit Units: 180 100%  
Federal Set-Aside Elected: 40%/60%  
Federal Subsidy: Tax-Exempt / FHA / HUD Section 8 (180 units - 100%)  
HCD MHP Funding: No  
55-Year Use/Affordability: Yes  
Number of Units @ or below 50% of area median income: 18  
Number of Units @ or below 60% of area median income: 162

**Bond Information**

Issuer: CalHFA  
Expected Date of Issuance: December 2011  
Credit Enhancement: FHA / GNMA through Red Mortgage

**Information**

Housing Type: Seniors  
 Geographic Area: San Francisco County  
 TCAC Project Analyst: Gina Ferguson

**Unit Mix**

8 SRO/Studio Units  
 174 1-Bedroom Units  
 182 Total Units

<b>Unit Type &amp; Number</b>	<b>2011 Rents Targeted % of Area Median Income</b>	<b>2011 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
1 SRO/Studio	50%	50%	\$935
7 SRO/Studio	60%	60%	\$1,122
17 1 Bedroom	50%	50%	\$1,001
155 1 Bedroom	60%	60%	\$1,202
2 1 Bedroom	Manager's Unit	Manager's Unit	\$0

**Project Financing**

Estimated Total Project Cost: \$70,369,923

**Residential**

Construction Cost Per Square Foot: \$110  
 Per Unit Cost: \$386,648

**Construction Financing**

**Permanent Financing**

<b>Source</b>	<b>Amount</b>	<b>Source</b>	<b>Amount</b>
Red Mortgage Capital - Tax-Exempt Bonds	\$10,700,000	Red Mortgage Capital, LLC	\$22,500,000
Red Mortgage Capital, LLC	\$22,500,000	TODCO - Seller Loan	\$24,089,211
TODCO - Seller Loan	\$22,320,000	Wolf House GP, LLC	\$1,772,760
Wolf House GP, LLC	\$5,298,348	Negative Arbitrage Reserve	\$509,460
Accrued Soft Loan Interest	\$1,855,464	Income from Operations	\$3,197,940
Negative Arbitrage Reserve	\$509,460	Tax Credit Equity	\$18,300,552
Income from Operations	\$1,044,060	<b>TOTAL</b>	<b>\$70,369,923</b>
Deferred Developer Fee	\$2,500,000		

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$26,437,656
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$26,510,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$34,368,953
Applicable Rate:	3.40%
Qualified Basis (Acquisition):	\$26,510,000
Applicable Rate:	3.40%
Maximum Annual Federal Credit, Rehabilitation:	\$1,039,735
Maximum Annual Federal Credit, Acquisition:	\$901,340
Total Maximum Annual Federal Credit:	\$1,941,075
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	Bank of America
Federal Tax Credit Factor:	\$0.94281

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:	\$52,947,656
Actual Eligible Basis:	\$52,947,656
Unadjusted Threshold Basis Limit:	\$53,999,280
Total Adjusted Threshold Basis Limit:	\$75,598,992

**Adjustments to Basis Limit:**

Required to Pay Prevailing Wages

95% of Upper Floor Units are Elevator-Serviced

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 10%

**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 3.40% of the qualified basis. 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:** None

**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>\$1,941,075</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.

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 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 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 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.

**Additional Conditions:** The applicant/owner is required to contract for services to the tenants free of charge 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

The applicant/owner is required to complete the following Sustainable Building Methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the placed-in-service application is submitted:

Energy Star rated ceiling fans in all bedrooms and living rooms; or use of a whole house fan; or use of an economizer cycle on mechanically cooled HVAC systems.

CRI Green-label, low-VOC carpeting and pad and low-VOC adhesives 25 grams per liter or less.

The following design features in at least half of the Project's units: accessible routes of travel to the dwelling units; accessible full bathroom on primary floor; and accessible kitchen, inclusive of all CDLAC requirements.

Inclusion of no-smoking buildings or sections of buildings. To be eligible for an award pursuant to this subdivision, the no-smoking sections must consist of at least half the units within the building, and those units must be contiguous.