

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
October 10, 2012
REVISED**

Project Number CA-12-854
Project Name Broadway Sansome Apartments
Site Address: 255 Broadway
San Francisco, CA 94111 County: San Francisco
Census Tract: 105.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,448,769	\$0
Recommended:	\$1,448,769	\$0

Applicant Information

Applicant: Broadway Sansome Associates, L.P.
Contact: Whitney Jones
Address: 1525 Grant Avenue
San Francisco, CA 94133
Phone: 415-929-0757 Fax: 415-929-1499
Email: wjones@chinatowncdc.org

General partner(s) or principal owner(s): Broadway Family Apartments LLC
General Partner Type: Nonprofit
Developer: Chinatown Community Development Center
Investor/Consultant: California Housing Partnership Corporation
Management Agent: Chinatown Community Development Center

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 75
No. & % of Tax Credit Units: 74 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HOME
HCD MHP Funding: Yes
55 Year Use/Affordability: Yes
Number of Units @ or below 35% of area median income: 40
Number of Units @ or below 50% of area median income: 34

Bond Information

Issuer: San Francisco Mayor's Office of Housing
Expected Date of Issuance: December 2012
Credit Enhancement: None

Information

Housing Type: Non-Targeted
 Geographic Area: San Francisco County
 TCAC Project Analyst: Gina Ferguson

Unit Mix

10 SRO/Studio Units
 36 1-Bedroom Units
 24 2-Bedroom Units
 5 3-Bedroom Units

 75 Total Units

<u>Unit Type & Number</u>	<u>2012 Rents Targeted % of Area Median Income</u>	<u>2012 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
10 SRO/Studio	20%	17%	\$337
8 1 Bedroom	20%	17%	\$350
12 1 Bedroom	30%	30%	\$624
15 1 Bedroom	50%	50%	\$1,040
7 2 Bedrooms	30%	30%	\$748
17 2 Bedrooms	50%	49%	\$1,223
3 3 Bedrooms	30%	30%	\$865
2 3 Bedrooms	50%	48%	\$1,374
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$44,943,964
 Estimated Residential Project Cost: \$43,730,462
 Estimated Commercial Project Cost \$1,213,502

Residential

Construction Cost Per Square Foot: \$295
 Per Unit Cost: \$583,073

Construction Financing

Permanent Financing

<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Tax-Exempt Bond - Bank of America	\$23,900,000	SF MOH Land Lease Value	\$7,350,000
SF MOH Land Lease Value	\$7,350,000	San Francisco MOH	\$13,783,800
San Francisco MOH	\$9,783,800	San Francisco MOH Accrued Interest	\$408,116
San Francisco MOH Accrued Interest	\$408,116	HCD MHP Loan	\$7,481,477
Deferred Costs	\$788,316	AHP	\$740,000
Deferred Developer Fee	\$82,500	Deferred Developer Fee	\$82,500
Tax Credit Equity	\$2,631,232	Tax Credit Equity	\$15,098,071
		TOTAL	\$44,943,964

Determination of Credit Amount(s)

Requested Eligible Basis:	\$34,826,170
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$45,274,021
Applicable Rate:	3.20%
Total Maximum Annual Federal Credit:	\$1,448,769
Approved Developer Fee in Project Cost:	\$1,200,000
Approved Developer Fee in Eligible Basis:	\$1,166,924
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$1.04213

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:	\$34,826,170
Actual Eligible Basis:	\$34,826,170
Unadjusted Threshold Basis Limit:	\$26,326,252
Total Adjusted Threshold Basis Limit:	\$74,826,151

Adjustments to Basis Limit:

- Required to Pay Prevailing Wages
- Local Development Impact Fees
- 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: 45%
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 108%

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 3.20% 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:

The project has an operating subsidy from the San Francisco Local Operating Subsidy Program (LOSP) for 18 of the tax credit units.

The cost of this project reflects architectural and engineering costs associated with its narrow sloping site and seven story building. Hazardous soil and buried concrete structure removal also increase the cost of the project. Other atypical costs listed in the application include the dual plumbing required by the municipal reclaimed water system.

A waiver has been granted for the minimum construction standard of floor coverings (TCAC Regulation Section 10325(f)(7)(G)).

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 has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

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:

Federal Tax Credits/Annual	State Tax Credits/Total
\$1,448,769	\$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 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 reservation 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 provide the tenants with the following service amenities free of charge for a minimum of ten (10) years in accordance with the bond allocation from

- Educational, health and wellness, or skill building classes
- Bona fide service coordinator

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 TCAC placed-in-service application is submitted:

- The project commits to becoming certified under any one of the following programs: Leadership in Energy & Environmental Design (LEED); Green Communities; or the GreenPoint Rated Multifamily Guidelines