

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 10, 2012

Project Number CA-12-870

Project Name Candlestick Heights
Site Address: 833-881 Jamestown Avenue
San Francisco, CA 94124 County: San Francisco
Census Tract: 610.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$4,342,628	\$0
Recommended:	\$4,342,628	\$0

Applicant Information

Applicant: Jamestown Equity Partners LLC
Contact: Kevin Brown
Address: 1201 Pine Street, Suite 151
Oakland, CA 94607
Phone: 510-547-2122 Fax: 510-547-2125
Email: kb@hollidaydevelopment.com

General partner(s) or principal owner(s): Holliday Development
General Partner Type: For Profit
Developer: New Jamestown Developers LLC
Investor/Consultant: Wells Fargo
Management Agent: C&C Affordable Management LLC

Project Information

Construction Type: New Construction
Total # Residential Buildings: 11
Total # of Units: 196
No. & % of Tax Credit Units: 194 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 43
Number of Units @ or below 60% of area median income: 151

Bond Information

Issuer: City and County of San Francisco
Expected Date of Issuance: October 2012
Credit Enhancement: None

Information

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

Unit Mix

20 1-Bedroom Units
 132 2-Bedroom Units
 18 3-Bedroom Units
 26 4-Bedroom Units

 196 Total Units

Unit Type & Number	2012 Rents Targeted % of Area Median Income	2012 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
5 1 Bedroom	60%	57%	\$1,185
1 1 Bedroom	50%	48%	\$999
43 2 Bedrooms	60%	51%	\$1,274
4 2 Bedrooms	50%	45%	\$1,124
10 3 Bedrooms	60%	51%	\$1,481
2 3 bedrooms	50%	43%	\$1,249
13 1 Bedroom	60%	57%	\$1,185
1 1 Bedroom	50%	48%	\$1,000
75 2 Bedrooms	60%	51%	\$1,274
8 2 Bedrooms	50%	45%	\$1,124
5 3 Bedrooms	60%	51%	\$1,481
1 3 Bedrooms	50%	43%	\$1,249
26 4 bedrooms	50%	42%	\$1,349
2 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$127,597,761

Residential

Construction Cost Per Square Foot: \$94
 Per Unit Cost: \$651,009

Construction Financing

Permanent Financing

Source	Amount	Source	Amount
Tax Exempt Bonds - Citi	\$67,200,000	Citi	\$21,388,000
Conventional Debt/Equity*	\$54,577,980	Conventional Debt/Equity*	\$54,577,980
Deferred Costs	\$819,781	Deferred Developer Fee	\$823,032
Deferred Developer Fee	\$2,500,000	Tax Credit Equity	\$50,808,749
Tax Credit Equity	\$2,500,000	TOTAL	\$127,597,761

*Financing related to the completed portion of this project (66 of the 196 units). See "Special Issues" below.

Determination of Credit Amount(s)

Requested Eligible Basis:	\$106,057,690
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$137,874,997
Applicable Rate:	3.20%
Total Maximum Annual Federal Credit:	\$4,342,628
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	Wells Fargo
Federal Tax Credit Factor:	\$1.17000

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:	\$106,057,690
Actual Eligible Basis:	\$106,057,690
Unadjusted Threshold Basis Limit:	\$81,474,916
Total Adjusted Threshold Basis Limit:	\$122,212,374

Adjustments to Basis Limit:

Required to Pay Prevailing Wages

Parking Beneath Residential Units

One or more Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Install bamboo, cork, salvaged or FSC-Certified wood, natural linoleum, natural rubber, or ceramic tile in all kitchens, living rooms, and bathrooms where no VOC adhesives or backing is used

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted

between 50% AMI & 36% AMI: 22%

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. Please see Special Issues below for information on project costs. Annual operating expenses are below the minimum operating expenses established in the Regulations; the project pro forma shows a positive cash flow from year one. This project’s operating expenses are below the TCAC published minimums of \$6,100 per unit per year as allowed by regulation on agreement of the permanent lender and equity investor and as approved by the Executive Director. 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:

Candlestick Heights Apartments was originally designed and partially completed as market rate for-sale condominium units. As a result of the real estate market downturn the market rate development did not go forward. Construction was completed for 66 units, however these were never sold or occupied. The development is being completed as an affordable housing project, including the existing 66 units. The original market rate design, the failed attempt to market and sell the condominiums, and the financing costs associated with this protracted development period have contributed to higher than typical project costs. Only those previously incurred costs eligible for tax credit basis have been included in the tax credit calculation. In addition, soil costs (to reinforce loose fill material on grade), a retaining wall required by the site slope, subterranean parking, prevailing wage requirements, and construction staging costs contributed to the high cost of construction.

The owner has agreed that TCAC Compliance management and staff will provide training for property management company C&C Affordable Management LLC to ensure compliance with IRC Section 42 requirements. On-site staff of C&C Affordable Management LLC must attend the TCAC training session(s). Coordination of these sessions is currently in progress.

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:

Federal Tax Credits/Annual	State Tax Credits/Total
\$4,342,628	\$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 CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC:

- After school program