

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
December 12, 2012**

Project Number CA-12-879

Project Name Tenderloin Family Housing
Site Address: 201 Turk Street
San Francisco, CA 94102 County: San Francisco
Census Tract: 125.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,315,067	\$0
Recommended:	\$1,315,067	\$0

Applicant Information

Applicant: Chinatown Community Development Center
Contact: Norman Fong
Address: 1525 Grant Avenue
San Francisco, CA 94133
Phone: (415) 984-1450 Fax: (415) 362-7992
Email: nfong@chinatowncdc.org

General partner(s) or principal owner(s): Tenderloin Family Housing LLC
General Partner Type: Nonprofit
Developer: Chinatown Community Development Center
Investor/Consultant: Community Economics
Management Agent: Chinatown Community Development Center

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 1
Total # of Units: 175
No. & % of Tax Credit Units: 174 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 35% of area median income: 3
Number of Units @ or below 50% of area median income: 58
Number of Units @ or below 60% of area median income: 113

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

12 SRO/Studio Units
 81 1-Bedroom Units
 45 2-Bedroom Units
 37 3-Bedroom Units

 175 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>
4 SRO/Studio	40%	31%	\$608
8 SRO/Studio	50%	47%	\$918
18 1 Bedroom	40%	32%	\$660
62 1 Bedroom	60%	53%	\$1,092
3 2 Bedrooms	30%	27%	\$686
1 2 Bedrooms	50%	41%	\$1,013
41 2 Bedrooms	60%	54%	\$1,339
23 3 Bedrooms	40%	30%	\$855
4 3 Bedrooms	50%	43%	\$1,235
10 3 Bedrooms	60%	49%	\$1,425
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

This project includes one manager unit and 24-hour desk staffing in lieu of a second manager unit.

Project Financing

Estimated Total Project Cost: \$43,513,459
 Estimated Residential Project Cost: \$42,133,750
 Estimated Commercial Project Cost: \$1,379,709

Residential

Construction Cost Per Square Foot: \$40
 Per Unit Cost: \$240,764

Construction Financing

Permanent Financing

<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Tax-Exempt Bonds - Citibank	\$22,000,000	Citibank - assumed loan	\$5,139,911
Citibank - assumed loan	\$5,139,911	HCD RHCP - assumed loan	\$14,245,732
HCD RHCP - assumed loan	\$14,245,732	City of San Francisco - assumed loan	\$735,602
City of San Francisco - assumed loan	\$735,602	Chinatown CDC	\$1,531,950
		Chinatown CDC	\$5,878,755
		Income from Operations	\$9,214
		Deferred Developer Fee	\$646,762
		General Partner Equity	\$1,125,000
		Energy Credit Equity	\$198,594
		Tax Credit Equity	\$14,001,939
		TOTAL	\$43,513,459

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$13,949,775
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$22,961,116
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$18,134,707
Applicable Rate:	3.20%
Qualified Basis (Acquisition):	\$22,961,116
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$580,311
Maximum Annual Federal Credit, Acquisition:	\$734,756
Total Maximum Annual Federal Credit:	\$1,315,067
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	\$1.06473

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:	\$36,910,891
Actual Eligible Basis:	\$36,910,891
Unadjusted Threshold Basis Limit:	\$65,640,722
Total Adjusted Threshold Basis Limit:	\$88,614,975

Adjustments to Basis Limit:

- 55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 33%
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 2%

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:

This project is a resyndication of an existing tax credit project, CA-1991-029.

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
\$1,315,067	\$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:

- Educational classes for a minimum of 10 years free of charge on-site.