

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

August 21, 2013

Project Number CA-13-853

Project Name Western Park Apartments
Site Address: 1280 Laguna Street
San Francisco, CA 94115 County: San Francisco
Census Tract: 159.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,588,884	\$0
Recommended:	\$1,588,884	\$0

Applicant Information

Applicant: Northern California Presbyterian Homes and Services, Inc.
Contact: David Berg
Address: 1525 Post Street
San Francisco, CA 94109
Phone: 415-351-3616
Email: dberg@ncphs.org

General Partner(s) or Principal Owner(s): WPA NCPHS LLC
General Partner Type: Nonprofit
Parent Company: N. California Presbyterian Homes and Services, Inc.
Developer: N. California Presbyterian Homes and Services, Inc.
Investor/Consultant: Community Economics
Management Agent: N. California Presbyterian Homes and Services, Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 4
Total # of Units: 182
No. & % of Tax Credit Units: 182 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based contract (114 units - 63%)
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 56
Number of Units @ or below 60% of area median income: 126

Bond Information

Issuer: City of San Francisco
 Expected Date of Issuance: October 2013
 Credit Enhancement: None

Information

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

Unit Mix

39 SRO/Studio Units
 135 1-Bedroom Units
 8 2-Bedroom Units

 182 Total Units

<u>Unit Type & Number</u>	<u>2013 Rents Targeted % of Area Median Income</u>	<u>2013 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
12 SRO/Studio	50%	48%	\$886
20 SRO/Studio	60%	48%	\$886
6 SRO/Studio	60%	43%	\$803
41 1 Bedroom	50%	50%	\$989
37 1 Bedroom	60%	50%	\$989
57 1 Bedroom	60%	51%	\$1,002
3 2 Bedrooms	50%	48%	\$1,139
4 2 Bedrooms	60%	48%	\$1,139
1 2 Bedrooms	60%	60%	\$1,424
1 SRO/Studio	60%	55%	\$1,010

This project has 24-hour desk staffing in lieu of manager units.

Project Financing

Estimated Total Project Cost: \$58,791,543
 Estimated Residential Project Cost: \$58,791,543

Residential

Construction Cost Per Square Foot: \$192
 Per Unit Cost: \$323,030

Construction Financing

<u>Source</u>	<u>Amount</u>
Citibank NA - Tax Exempt Bonds	\$30,000,000
Seller Take Back Loan	\$24,200,000
Income from Operations	\$184,982
Tax Credit Equity	\$927,100

Permanent Financing

<u>Source</u>	<u>Amount</u>
Citibank NA	\$11,653,700
Seller Take Back Loan	\$24,200,000
N. CA Presbyterian Homes & Services	\$5,000,000
Income from Operations	\$184,982
Deferred Developer Fee	\$699,678
General Partner Equity	\$750,000
Tax Credit Equity	\$16,303,183
TOTAL	\$58,791,543

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$24,316,779
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$18,040,812
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$31,611,812
Applicable Rate:	3.20%
Qualified Basis (Acquisition):	\$18,040,812
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$1,011,578
Maximum Annual Federal Credit, Acquisition:	\$577,306
Total Maximum Annual Federal Credit:	\$1,588,884
Approved Developer Fee in Project Cost:	\$2,500,000
Approved Developer Fee in Eligible Basis:	\$1,489,726
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	\$1.02608

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:	\$42,357,591
Actual Eligible Basis:	\$42,357,591
Unadjusted Threshold Basis Limit:	\$61,904,860
Total Adjusted Threshold Basis Limit:	\$80,476,318

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: 30%

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: 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:

Federal Tax Credits/Annual	State Tax Credits/Total
\$1,588,884	\$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:

- Contract with a full time equivalent bona fide service coordinator / social worker for a minimum number of hours per year on-site