

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
January 29, 2014**

Project Number CA-14-810

Project Name Esperanza & Colosimo Apartments

Site Address: Esperanza Apartments Colosimo Apartments
3590 19th Street 3298 25th Street
San Francisco, CA 94110 San Francisco, CA 94110
Census Tract: 207.00 229.01
County: San Francisco

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$707,403	\$0
Recommended:	\$707,403	\$0

Applicant Information

Applicant: MHDC Esperanza-Colosimo, LP
Contact: Justin Solomon
Address: 548 Market Street, #99800
San Francisco, CA 94105
Phone: (415) 202-0732 Fax: (415) 864-0378
Email: jsolomon@impactdevgroup.com

General Partner(s) or Principal Owner(s): MHDC CA MGP III, LLC
IDG Esperanza-Colosimo, LLC
General Partner Type: Joint Venture
Parent Company(ies): Mission Housing Development Corporation
Impact Development Group
Developer: Impact Development Group
Investor/Consultant: Alliant Capital, Ltd.
Management Agent: Caritas Management Corporation

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 2
Total # of Units: 50
No. & % of Tax Credit Units: 49 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (49 units-100%)
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 5
Number of Units @ or below 60% of area median income: 44

Bond Information

Issuer: CalHFA
 Expected Date of Issuance: March 1, 2014
 Credit Enhancement: N/A

Information

Housing Type: Non-Targeted
 Geographic Area: San Francisco County
 TCAC Project Analyst: Connie Harina

Unit Mix

27 SRO/Studio Units
 12 1-Bedroom Units
 11 2-Bedroom Units

 50 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>
Esperanza Apartments			
25 SRO/Studio	60%	60%	\$1,108
9 1 Bedroom	60%	60%	\$1,187
2 SRO/Studio	50%	50%	\$923
2 1 Bedroom	50%	50%	\$989
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0
Colosimo Apartments			
10 2 Bedrooms	60%	60%	\$1,425
1 2 Bedrooms	50%	50%	\$1,187

Project Financing

Estimated Total Project Cost: \$23,065,406
 Estimated Residential Project Cost: \$23,065,406

Residential

Construction Cost Per Square Foot: \$95
 Per Unit Cost: \$461,308

Construction Financing

<u>Source</u>	<u>Amount</u>
Citibank	\$11,500,000
MHDC Seller Takeback	\$4,668,593
Replacement reserves from Seller	\$261,911
Net Operating Income	\$585,934
General Partner Equity	\$672
Tax Credit Equity	\$6,048,296

Permanent Financing

<u>Source</u>	<u>Amount</u>
Citibank	\$11,500,000
MHDC Seller Takeback	\$3,996,560
Replacement reserves from Seller	\$261,911
Net Operating Income	\$585,934
General Partner Equity	\$672
Tax Credit Equity	\$6,720,329
TOTAL	\$23,065,406

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$5,973,546
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$14,341,983
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$7,765,610
Qualified Basis (Acquisition):	\$14,341,983
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$248,460
Maximum Annual Federal Credit, Acquisition:	\$458,943
Total Maximum Annual Federal Credit:	\$707,403
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	Alliant Capital, Ltd.
Federal Tax Credit Factor:	\$0.95000

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:	\$20,315,529
Actual Eligible Basis:	\$20,315,529
Unadjusted Threshold Basis Limit:	\$16,887,058
Total Adjusted Threshold Basis Limit:	\$18,575,764

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: 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 3.20% 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:

Staff noted a per unit development cost of \$461,308, which is relatively higher than the average in the geographic area. The applicant noted that the high per unit cost is attributed to land, prevailing wages, and extensive rehabilitation to resident units and base building systems.

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
\$707,403	\$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 off-site within 1/2 mile