

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
March 19, 2014

Project Number CA-14-814

Project Name Rosa Parks II
Site Address: 1239 Turk Street
San Francisco, CA 94115 County: San Francisco
Census Tract: 161.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,572,142	\$0
Recommended:	\$1,572,142	\$0

Applicant Information

Applicant: Rosa Parks II, L.P.
Contact: Donald S. Falk
Address: 201 Eddy Street
San Francisco, CA 94102
Phone: (415) 358-3923 Fax: (415) 614-9654
Email: dfalk@tndc.org

General Partner(s) or Principal Owner(s): Rosa Parks II GP LLC
General Partner Type: Nonprofit
Parent Company(ies): Turk Street Inc.
Developer: TNDC
Investor/Consultant: National Equity Fund, Inc.
Management Agent: TNDC

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 98
No. & % of Tax Credit Units: 97 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HUD Section 202 - PRAC (98 units - 100%)
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 97

Bond Information

Issuer: City and County of San Francisco
Expected Date of Issuance: April 25, 2014
Credit Enhancement: N/A

Information

Housing Type: Seniors
 Geographic Area: San Francisco County
 TCAC Project Analyst: Connie Harina

Unit Mix

32 SRO/Studio Units
 65 1-Bedroom Units
1 2-Bedroom Units
 98 Total Units

<u>Unit Type & Number</u>	<u>2014 Rents Targeted % of Area Median Income</u>	<u>2014 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
32 SRO/Studio	50%	14%	\$278
65 1 Bedroom	50%	14%	\$291
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$48,702,278
 Estimated Residential Project Cost: \$48,702,278

Residential

Construction Cost Per Square Foot: \$420
 Per Unit Cost: \$496,962

Construction Financing

<u>Source</u>	<u>Amount</u>
Silicon Valley Bank	\$30,000,000
SF Mayor's Office of Housing	\$14,134,123
Accrued Deferred Interest	\$280,052
AHP	\$970,000
Tax Credit Equity	\$1,205,000

Permanent Financing

<u>Source</u>	<u>Amount</u>
HUD Section 202 Capital Advance	\$15,275,500
SF Mayor's Office of Housing	\$14,134,123
Accrued Deferred Interest	\$280,052
AHP	\$970,000
General Partner Equity	\$500,000
Tax Credit Equity	\$17,542,603
TOTAL	\$48,702,278

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation): \$37,791,876
 130% High Cost Adjustment: Yes
 Applicable Fraction: 100.00%
 Qualified Basis (Rehabilitation): \$49,129,439
 Applicable Rate: 3.20%
 Total Maximum Annual Federal Credit: \$1,572,142
 Approved Developer Fee (in Project Cost & Eligible Basis): \$2,500,000
 Investor/Consultant: National Equity Fund, Inc.
 Federal Tax Credit Factor: \$1.11584

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:	\$37,791,876
Actual Eligible Basis:	\$37,791,876
Unadjusted Threshold Basis Limit:	\$32,590,470
Total Adjusted Threshold Basis Limit:	\$74,969,528

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: 100%

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 \$496,962, which is relatively higher than the average in the geographic area. The applicant noted that the high per unit cost is attributed to the location in central San Francisco as an urban infill site which limits staging capabilities and requires lane and traffic closures. In addition, construction costs include easements totaling \$1.7 million for Rosa Parks I parking, trash, and driveway. Finally, some existing utilities must be relocated at the outset of construction.

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
\$1,572,142	\$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

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 will be developed beyond the minimum requirements of the green building program by meeting the GreenPoint Rated 125 standard.