

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
May 21, 2014**

Project Number CA-14-846

Project Name 2175 Market Street Apartments
Site Address: 2175 Market Street
San Francisco, CA 94114 County: San Francisco
Census Tract: 203.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$320,873	\$0
Recommended:	\$320,873	\$0

Applicant Information

Applicant: FC 2175 Market, LP
Contact: Ted Beder
Address: 949 S. Hope Street
Los Angeles, CA 90015
Phone: 213-416-2248 Fax: 213-488-9308
Email: tedbeder@forestcity.net

General Partner(s) or Principal Owner(s): FC Cactus Residential Development GP, LLC
San Francisco Housing Development Corporation
General Partner Type: Joint Venture
Parent Company(ies): Forest City Rental Properties Corporation
San Francisco Housing Development Corporation
Developer: Forest City Residential Group, LLC
Investor/Consultant: Richman-KCM
Management Agent: Forest City Residential Management, Inc.

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 19
No. & % of Tax Credit Units: 18 100.00%
Federal Set-Aside Elected: 20%/50%
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 18

Bond Information

Issuer: City and County of San Francisco
 Date of Issuance: April 26, 2013
 Credit Enhancement: N/A

Information

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

Unit Mix

12 1-Bedroom Units
 7 2-Bedroom Units

 19 Total Units

Unit Type & Number	2014 Rents Targeted % of Area Median Income	2014 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
9 1 Bedroom	50%	50%	\$1,038
6 2 Bedrooms	50%	50%	\$1,246
2 1 Bedroom	40%	40%	\$830
1 2 Bedrooms	40%	40%	\$997
1 1 Bedroom	Manager's Unit	Manager's Unit	\$2,750

Project Financing

Estimated Total Project Cost: \$8,235,958
 Estimated Residential Project Cost: \$8,235,958

Residential

Construction Cost Per Square Foot: \$393
 Per Unit Cost: \$433,471

Construction Financing

Source	Amount
Citibank	\$1,360,000
General Partner Equity	\$6,875,958

Permanent Financing

Source	Amount
Citibank	\$1,360,000
General Partner Equity	\$4,148,537
Tax Credit Equity	\$2,727,421
TOTAL	\$8,235,958

Determination of Credit Amount(s)

Requested Eligible Basis:	\$7,345,993
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$9,549,791
Applicable Rate:	3.36%
Maximum Annual Federal Credit:	\$320,873
Approved Developer Fee (in Project Cost & Eligible Basis):	\$958,000
Investor/Consultant:	Richman-KCM
Federal Tax Credit Factor:	\$0.85000

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:	\$7,345,993
Actual Eligible Basis:	\$7,345,993
Unadjusted Threshold Basis Limit:	\$7,226,632
Total Adjusted Threshold Basis Limit:	\$16,625,730

Adjustments to Basis Limit:

- Required to Pay Prevailing Wages
- Parking Beneath Residential Units
- Local Development Impact Fees
- 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 meet 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 3.36% 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 the affordable portion (18 units + 1 managers unit) of a larger mixed-use development with 70 market-rate units for a combined total of 88 units.

The applicant requested and received a waiver for syndication expenses pursuant to TCAC Regulation Section 10327(c)(3).

In addition, a waiver has been granted for the minimum construction standard of floor coverings outlined in TCAC Regulation Section 10325(f)(7)(G) sealed concrete and laminate may be used as a floor coverings throughout the units.

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
\$320,873	\$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:

- Instructor-led educational classes, health and wellness or skill-building classes on-site