

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
July 16, 2014**

Project Number CA-14-861

Project Name Bill Sorro Community
Site Address: 1009 Howard Street
San Francisco, CA 94103 County: San Francisco
Census Tract: 178.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,712,834	\$0
Recommended:	\$1,712,834	\$0

Applicant Information

Applicant: Mercy Housing California 51, a California limited partnership
Contact: Sharon Christen
Address: 1360 Mission Street, Ste. 300
San Francisco, CA 94103
Phone: 415-355-7111 Fax: 415-355-7101
Email: schristen@mercyhousing.org
1360 Mission Street, Ste. 300

General Partner(s) or Principal Owner(s): Mercy Housing California Family Properties
General Partner Type: Nonprofit
Parent Company(ies): Mercy Housing California
Developer: Mercy Housing California
Investor/Consultant: Community Economics
Management Agent: Mercy Housing Management Group

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 67
No. & % of Tax Credit Units: 66 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HUD Section 811 PRAC (14 units - 21%)
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 66

Bond Information

Issuer: City and County of San Francisco
 Expected Date of Issuance: September 15, 2014
 Credit Enhancement: N/A

Information

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

Unit Mix

8 SRO/Studio Units
 24 1-Bedroom Units
 25 2-Bedroom Units
 10 3-Bedroom Units

 67 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>
8 SRO/Studio	50%	44%	\$850
13 1 Bedroom	50%	47%	\$971
21 2 Bedrooms	50%	44%	\$1,093
10 3 Bedrooms	50%	42%	\$1,214
11 1 Bedroom	50%	14%	\$291
3 2 Bedrooms	50%	12%	\$305
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost:	\$47,333,630
Estimated Residential Project Cost:	\$46,223,366
Estimated Commercial Project Cost	\$1,110,264

Residential

Construction Cost Per Square Foot:	\$592
Per Unit Cost:	\$689,901

Construction Financing

<u>Source</u>	<u>Amount</u>
Citibank, N.A.	\$24,000,000
S.F. Mayor's Office of Housing	\$13,150,690
S.F. RDA Land Donation	\$4,600,000
AHP	\$1,000,000
General Partner Equity	\$1,300,000
Tax Credit Equity	\$1,868,918

Permanent Financing

<u>Source</u>	<u>Amount</u>
Sponsor Loan of HUD Section 811	\$2,377,000
S.F. Mayor's Office of Housing	\$18,474,246
S.F. RDA Land Donation	\$4,600,000
HCD - TOD	\$1,644,625
AHP	\$1,000,000
General Partner Equity	\$1,300,000
Deferred Developer Fee	\$98,000
Tax Credit Equity	\$17,839,759
TOTAL	\$47,333,630

Determination of Credit Amount(s)

Requested Eligible Basis:	\$39,213,227
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$50,977,195
Applicable Rate:	3.36%
Maximum Annual Federal Credit, Rehabilitation:	\$1,712,834
Approved Developer Fee in Project Cost:	\$2,500,000
Approved Developer Fee in Eligible Basis:	\$2,450,000
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	\$1.04153

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:	\$39,213,227
Actual Eligible Basis:	\$39,213,227
Unadjusted Threshold Basis Limit:	\$27,054,240
Total Adjusted Threshold Basis Limit:	\$62,524,527

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 3.36% 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:

Staff noted a per unit development cost of \$689,901 per unit. The applicant noted that the high per unit cost is attributed to soil conditions, City Planning requirements, and unit size.

Local Reviewing Agency:

The Local Reviewing Agency, the San Francisco Mayor's Office of Housing and Community Development, 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
\$1,712,834	\$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 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 commits to becoming certified under the following program: GreenPoint Rated Multifamily Guidelines
- The project will be developed beyond the minimum requirements of the green building program by meeting the GreenPoint Rated 125 standard.