

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

March 18, 2015

Project Number CA-15-816

Project Name Mission Bay Block 7
Site Address: 588 Mission Bay Boulevard North
San Francisco, CA 94158 County: San Francisco
Census Tract: 607.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$3,240,808	\$0
Recommended:	\$3,240,808	\$0

Applicant Information

Applicant: Mission Bay Block 7 Housing Partners, LP
Contact: Frank Cardone
Address: 18201 Von Karman Ave, #900
Irvine, CA 92612
Phone: 949-660-7272 Fax: 949-660-7273
Email: fcardone@related.com

General Partner(s) or Principal Owner(s): Related/Mission Bay Block 7 Development Co., LLC
CCDC-MBB7 LLC
General Partner Type: Joint Venture
Parent Company(ies): The Related Companies of California
Chinatown CDC
Developer: Related Development Company of California
Investor/Consultant: Wells Fargo Bank
Management Agent: Related Management Company

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 200
No. & % of Tax Credit Units: 198 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 40
Number of Units @ or below 60% of area median income: 158

Bond Information

Issuer: City of San Francisco
 Expected Date of Issuance: April 1, 2015
 Credit Enhancement: N/A

Information

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

Unit Mix

72 1-Bedroom Units
 128 2-Bedroom Units

 200 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>
14 1 Bedroom	50%	50%	\$1,038
56 1 Bedroom	60%	60%	\$1,245
26 2 Bedrooms	50%	50%	\$1,246
102 2 Bedrooms	60%	60%	\$1,495
2 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$116,013,277
 Estimated Residential Project Cost: \$110,572,597
 Estimated Commercial Project Cost: \$5,440,680

Residential

Construction Cost Per Square Foot: \$333
 Per Unit Cost: \$552,863

Construction Financing

<u>Source</u>	<u>Amount</u>
Citi Community Capital	\$61,427,369
City of S.F. - RDA Loan	\$16,975,000
City of S.F. - Land Donation	\$34,500,000
Limited Partner - Accrued Interest	\$1,361,047
Tax Credit Equity	\$1,749,861

Permanent Financing

<u>Source</u>	<u>Amount</u>
Citi Community Capital	\$25,180,000
Citi - Subordinate Loan	\$3,000,000
City of S.F. - RDA Loan	\$16,975,000
City of S.F. - Land Donation	\$34,500,000
Limited Partner - Accrued Interest	\$1,361,047
Tax Credit Equity	\$34,997,230
TOTAL	\$116,013,277

Determination of Credit Amount(s)

Requested Eligible Basis:	\$74,194,330
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$96,452,629
Applicable Rate:	3.36%
Maximum Annual Federal Credit:	\$3,240,808
Approved Developer Fee in Project Cost:	\$2,500,000
Approved Developer Fee in Eligible Basis:	\$2,357,750
Investor/Consultant:	Wells Fargo Bank
Federal Tax Credit Factor:	\$1.07989

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:	\$74,194,330
Actual Eligible Basis:	\$74,194,330
Unadjusted Threshold Basis Limit:	\$80,030,192
Total Adjusted Threshold Basis Limit:	\$126,166,065

Adjustments to Basis Limit:

- Required to Pay Prevailing Wages
- Parking Beneath Residential Units
- 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: 20%

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 are below the minimum operating expenses established in the Regulations (see "Special Issues/Other Significant Information" section), 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:

TCAC staff calculated the minimum operating expense to be \$7,000 per unit per year. This project’s operating expense minimum has been reduced to \$6,120 per unit per year as allowed by regulation on agreement of the permanent lender and equity investor.

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
\$3,240,808	\$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 will be developed beyond the minimum requirements of the green building program by meeting the GreenPoint Rated 125 standard.