

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 20, 2015

Project Number CA-15-829

Project Name John Burton Foundation Housing Complex
 Site Address: 800 Presido Avenue
 San Francisco, CA 94115 County: San Francisco
 Census Tract: 0154.00

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$996,022	\$0
Recommended:	\$996,022	\$0

Applicant Information

Applicant: BTW Housing Partners LP
 Contact: Jack Gardner
 Address: 1388 Sutter Street
 San Francisco, CA 94109
 Phone: 415-345-4400 Fax: 415-614-9175
 Email: jgardner@jsco.net

General Partner(s) or Principal Owner(s): JSCo BTW LLC
 Booker T. Washington Community Center
 General Partner Type: Joint Venture
 Parent Company(ies): John Stewart Company
 Booker T. Washington Community Center
 Developer: The John Stewart Company
 Investor/Consultant: Community Economics
 Management Agent: John Stewart Company

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 50
 No. & % of Tax Credit Units: 49 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt
 HCD MHP Funding: Yes
 55-Year Use/Affordability: Yes
 Number of Units @ or below 35% of area median income: 24
 Number of Units @ or below 50% of area median income: 12
 Number of Units @ or below 60% of area median income: 13

Bond Information

Issuer: San Francisco Mayor's Office of Housing
 Expected Date of Issuance: June 25, 2015
 Credit Enhancement: N/A

Information

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

Unit Mix

48 SRO/Studio Units
 2 2-Bedroom Units

 50 Total Units

<u>Unit Type & Number</u>	<u>2015 Rents Targeted % of Area Median Income</u>	<u>2015 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
24 SRO/Studio	35%	14%	\$280
12 SRO/Studio	50%	41%	\$850
12 SRO/Studio	60%	50%	\$1,019
1 2 Bedrooms	60%	50%	\$1,311
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$4,989,148
Construction Costs	\$17,743,621
Rehabilitation Costs	\$0
Construction Contingency	\$907,140
Relocation	\$0
Architectural/Engineering	\$1,829,827
Construction Interest, Perm Financing	\$1,423,402
Legal Fees, Appraisals	\$83,075
Reserves	\$309,416
Other Costs	\$1,285,118
Developer Fee	\$880,000
Commercial Costs	\$0
Total	\$29,450,747

Project Financing

Estimated Total Project Cost:	\$29,450,747
Estimated Residential Project Cost:	\$29,450,747

Residential

Construction Cost Per Square Foot:	\$447
Per Unit Cost:	\$589,015

Construction Financing

Source	Amount
Citi Community Capital	\$15,000,000
City of San Francisco, MOH	\$9,285,994
HCD Infill Infrastructure Grant	\$1,424,369
Tax Credit Equity	\$2,719,740

Permanent Financing

Source	Amount
Citibank Subordinate Loan	\$1,000,000
City of San Francisco, MOH	\$12,149,499
HCD MHP - Homeless Youth	\$3,889,424
HCD Infill Infrastructure Grant	\$1,424,369
General Partner Equity	\$100
Tax Credit Equity	\$10,987,355
TOTAL	\$29,450,747

Determination of Credit Amount(s)

Requested Eligible Basis:	\$23,217,347
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$30,182,552
Applicable Rate:	3.30%
Maximum Annual Federal Credit:	\$996,022
Approved Developer Fee (in Project Cost & Eligible Basis):	\$880,000
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	\$1.10312

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:	\$23,217,347
Actual Eligible Basis:	\$23,217,347
Unadjusted Threshold Basis Limit:	\$15,743,984
Total Adjusted Threshold Basis Limit:	\$36,211,163

Adjustments to Basis Limit:

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: 24%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 98%

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 3.30% 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:

A total of 24 units at the John Burton Foundation housing complex will receive rental subsidies. Nine (9) of the units will receive a subsidy from the City of San Francisco’s Local Operating Subsidy Program (LOSP). Fifteen (15) of the units will receive a subsidy from the San Francisco Human Services Agency from the THP Plus Program.

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
\$996,022	\$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