CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 21, 2015

Alice Griffith Phase 3A, located at 2500 Arelious Walker Drive in San Francisco, CA, requested and is being recommended for a reservation of $2,300,000 in annual federal tax credits to finance the new construction of 80 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by McCormack Baron Salazar, Inc. and will be located in Senate District 11 and Assembly District 17.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers and HUD RAD Project-based Vouchers.

Project Number CA-15-898

Project Name Alice Griffith Phase 3A
Site Address: 2500 Arelious Walker Drive
San Francisco, CA 94121 County: San Francisco
Census Tract: 234.000

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$2,300,000	$0
Recommended:	$2,300,000	$0

Applicant Information
Applicant: Alice Griffith Phase 3A, L.P.
Contact: Yusef Freeman
Address: 720 Olive Street, Suite 2500
St. Louis, MO 63101
Phone: (415) 935-0182
Email: Yusef.Freeman@mccormackbaron.com

General Partner(s) or Principal Owner(s): Alice Griffith Phase 3A MBS GP, Inc.
San Francisco Housing Development Corporation
General Partner Type: Joint Venture
Parent Company(ies): MBA Properties, Inc.
San Francisco Housing Development Corporation
Developer: McCormack Baron Salazar, Inc.
Investor/Consultant: RBC Capital Markets
Management Agent: McCormack Baron Management, Inc.

Project Information

Construction Type:	New Construction
Total # Residential Buildings:	1
Total # of Units:	82
No. & % of Tax Credit Units:	80 97.56%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD RAD Project-based Vouchers (43 units - 52%) / HUD Section 8 Project-based Vouchers (20 units - 24%)
HCD MHP Funding:	No
55-Year Use/Affordability:	Yes

Number of Units @ or below 50% of area median income: 76
Number of Units @ or below 60% of area median income: 4

Bond Information

Issuer:	City & County of San Francisco
Expected Date of Issuance:	January 15, 2016
Credit Enhancement:	N/A

Information

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

Unit Mix

10	1-Bedroom Units
60	2-Bedroom Units
9	3-Bedroom Units
3	4-Bedroom Units
82	Total Units

Unit Type & Number		2015 Rents Targeted % of Area Median Income	2015 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
9	1 Bedroom	50%	46%	$1,019
1	1 Bedroom	60%	46%	$1,019
9	2 Bedrooms	50%	43%	$1,146
32	2 Bedrooms	50%	43%	$1,146
2	2 Bedrooms	60%	43%	$1,146
17	2 Bedrooms	50%	43%	$1,146
1	3 Bedrooms	50%	42%	$1,274
3	3 Bedrooms	50%	42%	$1,274
1	3 Bedrooms	60%	50%	$1,529
2	3 Bedrooms	50%	42%	$1,274
2	4 Bedrooms	50%	40%	$1,376
1	4 Bedrooms	50%	40%	$1,376
2	3 Bedrooms	Market Rate Unit	Market Rate Unit	$1,459

*Managers unit at Alice Griffith Phase 3B (See "Special Issues/Significant Information" Sectiom)

Project Cost Summary at Application

Land and Acquisition	$10,250,000
Construction Costs	$39,391,823
Rehabilitation Costs	$0
Construction Contingency	$3,910,000
Relocation	$0
Architectural/Engineering	$1,797,846
Construction Interest, Perm Financing	$2,389,513
Legal Fees, Appraisals	$472,500
Reserves	$708,932
Other Costs	$2,685,780
Developer Fee	$2,500,000
Commercial Costs	$0
Total	**$64,106,394**

Project Financing

Estimated Total Project Cost:	$64,106,394
Estimated Residential Project Cost:	$64,106,394

Residential

Construction Cost Per Square Foot:	$371
Per Unit Cost:	$781,785

Construction Financing

Source	Amount
Chase	$31,500,000
City of SF OCII	$11,153,394
MOHCD CNI Loan	$4,250,000
SFHA Land as Ground Lease	$6,484,679
Lennar - Loan	$3,765,321
General Partner Contribution	$500,000
Tax Credit Equity	$5,152,000

Permanent Financing

Source	Amount
Chase	$3,650,000
City of SF OCII	$19,696,394
MOHCD CNI Loan	$4,250,000
SFHA Land as Ground Lease	$6,484,679
Lennar - Loan	$3,765,321
General Partner Contribution	$500,000
Tax Credit Equity	$25,760,000
TOTAL	**$64,106,394**

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$55,346,950
130% High Cost Adjustment:	Yes
Applicable Fraction:	96.88%
Qualified Basis (Rehabilitation):	$69,704,059
Applicable Rate:	3.30%
Total Maximum Annual Federal Credit:	$2,300,000
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,500,000
Investor/Consultant:	RBC Capital Markets
Federal Tax Credit Factor:	$1.12000

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:	$55,346,950
Actual Eligible Basis:	$55,346,950
Unadjusted Threshold Basis Limit:	$36,258,747
Total Adjusted Threshold Basis Limit:	$84,482,880

Adjustments to Basis Limit:

Required to Pay Prevailing Wages
Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels
One or more Energy Efficiency/Resource Conservation/Indoor Air Quality Features:
● New construction: project buildings are at least 45% more energy efficient than 2008 CA Code Energy Efficiency Standards as indicated in TCAC Regulations.
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: 95%

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:

Alice Griffith Phase 3 consists of a 122-unit building, split into a 9% project (Phase 3A) and a tax-exempt bond financed (4%) project (Phase 3B). A waiver was granted for the manager unit requirement in TCAC Regulation Section 10325(f)(7)(J). The inclusion of one manager unit in Phase 3B results in one on-site manager unit for the combined 122 units, which meets the TCAC manager unit requirement.

A waiver has been granted for the minimum construction standard requirement for floor coverings (TCAC Regulation Section 10325(f)(7)(H)). The applicant has requested and been granted a substitution of vinyl flooring for the floor covering.

Development costs are roughly $781,785 per unit. The factors affecting this cost include high land and off-site improvements as well as costs for concrete podium garage parking, sub-standard soil conditions, and high permit processing/local development impact fees.

Local Reviewing Agency:

The Local Reviewing Agency, the Office of Community Investment and Infrastructure (OCII), Successor Agency to the Redevelopment Agency of the City and County of San Francisco, 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
$2,300,000	**$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:
  Leadership in Energy & Environmental Design (LEED)
- The project will be developed beyond the minimum requirements of the green building program by meeting the LEED for Homes GOLD standard.
- The project will exceed Title 24 Standards for New Construction by 40% of the California Building Code.