CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 18, 2016

350 Ellis, located at 350 Ellis Street in San Francisco, requested and is being recommended for a reservation of $2,558,440 in annual federal tax credits to finance the acquisition and rehabilitation of 96 units of housing serving tenants with rents affordable to households earning 50% of area median income (AMI). The project will be developed by Tenderloin Neighborhood Development Corporation and is 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-16-841

Project Name 350 Ellis
Site Address: 350 Ellis Street
San Francisco, CA 94102 County: San Francisco
Census Tract: 123.010

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$2,558,440	$0
Recommended:	$2,558,440	$0

Applicant Information

Applicant:	Ellis 350 Associates, L.P.		
Contact:	Donald S. Falk		
Address:	201 Eddy Street San Francisco, CA 94102		
Phone:	(415) 358 3923	Fax:	(415) 776 3952
Email:	dfalk@tndc.org		

General Partner(s) or Principal Owner(s):	Ellis 350 GP LLC
General Partner Type:	Nonprofit
Parent Company(ies):	Tenderloin Neighborhood Development Corporation
Developer:	Tenderloin Neighborhood Development Corporation
Investor/Consultant:	California Housing Partnership Corporation
Management Agent:	Tenderloin Neighborhood Development Corporation

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	1
Total # of Units:	96
No. & % of Tax Credit Units:	96 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Vouchers (49 units - 51%) / HUD RAD Project-based Vouchers (47 units - 49%)
HCD MHP Funding:	No
55-Year Use/Affordability:	Yes

Number of Units @ or below 50% of area median income: 96

Bond Information

Issuer:	Mayor's Office of Housing & Community Development
Expected Date of Issuance:	September 15, 2016
Credit Enhancement:	N/A

Information

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

Unit Mix

72 SRO/Studio Units
24 1-Bedroom Units
96 Total Units

Unit Type & Number		2015 Rents Targeted % of Area Median Income	2015 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
46	SRO/Studio	50%	44%	$893
26	SRO/Studio	50%	44%	$893
1	1 Bedroom	50%	46%	$1,019
23	1 Bedroom	50%	46%	$1,019

*See "Special Issues/Other Significant Information" below for additional manager's unit information.

Project Cost Summary at Application	
Land and Acquisition	$17,911,875
Construction Costs	$0
Rehabilitation Costs	$29,125,625
Construction Contingency	$4,356,443
Relocation	$1,920,971
Architectural/Engineering	$1,919,225
Const. Interest, Perm. Financing	$5,376,813
Legal Fees, Appraisals	$151,500
Reserves	$1,260,470
Other Costs	$1,471,148
Developer Fee	$5,290,917
Commercial Costs	$0
Total	**$68,784,987**

Project Financing	
Estimated Total Project Cost:	$68,784,987
Estimated Residential Project Cost:	$68,784,987
Estimated Commercial Project Cost	$0

Residential	
Construction Cost Per Square Foot:	$488
Per Unit Cost:	$716,510
Effective Per Unit Cost:	$515,824

Construction Financing

Source	Amount
Bank of America	$41,640,000
SFHA Seller Carryback Loan	$16,475,000
SF MOHCD	$4,000,000
Accrued / Deferred Interest	$1,258,965
Deferred Developer Fee	$2,790,917
Tax Credit Equity	$1,560,492

Permanent Financing

Source	Amount
Bank of America	$10,095,000
SFHA Seller Carryback Loan	$16,475,000
SFHA Permanent Loan	$1,000,000
SF MOHCD	$4,000,000
SF MOHCD Gap Loan	$1,575,259
Accrued / Deferred Interest	$1,258,965
Deferred Developer Fee	$2,790,917
General Partner Equity	$500,000
Tax Credit Equity	$31,089,846
TOTAL	**$68,784,987**

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$46,969,466
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$17,660,922
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$61,060,306
Qualified Basis (Acquisition):	$17,660,922
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$1,984,460
Maximum Annual Federal Credit, Acquisition:	$573,980
Total Maximum Annual Federal Credit:	$2,558,440
Approved Developer Fee (in Project Cost & Eligible Basis):	$5,290,917
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	$1.21519

Per Regulation Section 10322(h)(9)(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:	$64,630,388
Actual Eligible Basis:	$64,630,388
Unadjusted Threshold Basis Limit:	$31,704,192
Total Adjusted Threshold Basis Limit:	$72,919,641

Adjustments to Basis Limit

Required to Pay Prevailing Wages
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 3.25% 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

Development costs are roughly $716,510 per unit. The factors affecting this cost includes high real estate costs, extensive soil contamination leading to excavation as well as fire system upgrades and replacing the exterior of the building.

The proposed rent does not include a utility allowance. The owner will pay for all utilities.

The applicant requested, and has been granted a waiver by TCAC, to reduce the 10% mobility feature requirement under TCAC regulation section 10325(f)(7)(K), down to 5% (5 units).

Per TCAC Regulation Section 10325(f)(7)(J) the project has committed to employ an equivalent number of on-site full-time property management staff and provide an equivalent number of desk or security staff capable of responding to emergencies for the hours when property management staff is not working. All staff or contractors performing desk or security work shall be knowledgeable of how the property's fire system operates and be trained in, and have participated in, fire evacuation drills for tenants. TCAC reserves the right to require that one or more on-site managers' units be provided and occupied by property management staff if, in its sole discretion, it determines as part of any on-site inspection that the project has not been adequately operated and/or maintained.

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**
$2,558,440	**$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 a parking ratio equivalent of 1 parking stall or less per SRO and 1-bedroom restricted rental units, and 1.5 parking stall or less per 2-bedroom and larger restricted rental units.