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

320 & 330 Clementina, located at 320-330 Clementina Street in San Francisco, requested and is being recommended for a reservation of $4,068,518 in annual federal tax credits to finance the acquisition and rehabilitation of 274 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-16-842

Project Name 320 & 330 Clementina
Site Address: 320-330 Clementina Street
San Francisco, CA 94103 County: San Francisco
Census Tract: 178.010

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$4,068,518	$0
Recommended:	$4,068,518	$0

Applicant Information

Applicant:	Clementina Towers 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):	Clementina Towers 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: 2
Total # of Units: 276
No. & % of Tax Credit Units: 274 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt/HUD Section 8 Project-based Vouchers (161 units - 58%)/ HUD RAD Project-based Vouchers (113 units - 41%)
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 274

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

226 SRO/Studio Units
50 1-Bedroom Units
276 Total Units

Unit Type & Number		2015 Rents Targeted % of Area Median Income	2015 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
65	SRO/Studio	50%	44%	$893
161	SRO/Studio	50%	44%	$893
48	1 Bedroom	50%	46%	$1,019
2	1 Bedroom	Manager’s Unit	Manager’s Unit	$0

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

Project Cost Summary at Application

Land and Acquisition	$42,101,875
Construction Costs	$0
Rehabilitation Costs	$36,681,711
Construction Contingency	$7,446,898
Relocation	$5,483,263
Architectural/Engineering	$2,308,014
Const. Interest, Perm. Financing	$9,523,090
Legal Fees, Appraisals	$130,000
Reserves	$4,581,024
Other Costs	$2,098,522
Developer Fee	$6,000,000
Commercial Costs	$0
Total	**$116,354,397**

Project Financing

Estimated Total Project Cost:	$116,354,397
Estimated Residential Project Cost:	$116,354,397
Estimated Commercial Project Cost	$0

Residential

Construction Cost Per Square Foot:	$210
Per Unit Cost:	$421,574
Effective Per Unit Cost:	$273,389

Construction Financing

Source	Amount
Bank of America	$69,260,000
SFHA Seller Carryback Loan	$38,659,162
Accrued / Deferred Interest	$2,532,175
Deferred Developer Fee	$2,240,000
Tax Credit Equity	$2,481,548

Permanent Financing

Source	Amount
Bank of America	$23,442,000
SFHA Seller Carryback Loan	$38,659,162
Accrued / Deferred Interest	$2,532,175
Deferred Developer Fee	$2,240,000
General Partner Equity	$100
Tax Credit Equity	$49,480,960
TOTAL	**$116,354,397**

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$64,132,809
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$41,812,529
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$83,372,652
Qualified Basis (Acquisition):	$41,812,529
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$2,709,611
Maximum Annual Federal Credit, Acquisition:	$1,358,907
Total Maximum Annual Federal Credit:	$4,068,518
Approved Developer Fee (in Project Cost & Eligible Basis):	$6,000,000
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	$1.21619

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:	$105,945,338
Actual Eligible Basis:	$105,945,338
Unadjusted Threshold Basis Limit:	$90,224,936
Total Adjusted Threshold Basis Limit:	$180,449,872

Adjustments to Basis Limit

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

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

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
$4,068,518	**$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.