CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
June 8, 2016

Alemany, located at 938 Ellsworth Avenue in San Francisco, requested and is being recommended for a reservation of $4,966,363 in annual federal tax credits to finance the new construction/acquisition and rehabilitation of 143 units (see "**Special Issues/Other Significant Information**" section) of housing serving tenants with rents affordable to households earning 50% of area median income (AMI). The project will be developed by BRIDGE Housing Corporation and Bernal Heights Neighborhood Center 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-16-886

Project Name Alemany
Site Address: 938 Ellsworth Avenue
San Francisco, CA 94110 County: San Francisco
Census Tract: 254.030

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$4,966,363	$0
Recommended:	$4,966,363	$0

Applicant Information
Applicant: Alemany Housing Associates, L.P.
Contact: Ann Silverberg
Address: 600 California Street, Suite 900
San Francisco, CA 94108
Phone: 415-989-1111 Fax: 415-495-4898
Email: asilverberg@bridgehousing.com

General Partner(s) or Principal Owner(s): Alemany Housing LLC
General Partner Type: Nonprofit
Parent Company(ies): BRIDGE Housing Corporation
Bernal Heights Housing Corporation
Developer: BRIDGE Housing Corporation
Co-Developer: Bernal Heights Neighborhood Center
Investor/Consultant: Bank of America
Management Agent: BRIDGE Property Management Company

Project Information

Construction Type:	New Construction / Acquisition & Rehabilitation
Total # Residential Buildings:	24
Total # of Units:	150
No. & % of Tax Credit Units:	143 96.62%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Vouchers (64 units - 43%) / HUD RAD Project-based Vouchers (84 units - 56%)
HCD MHP Funding:	No
55-Year Use/Affordability:	Yes

Number of Units @ or below 50% of area median income: 143

Bond Information

Issuer:	City of San Francisco
Expected Date of Issuance:	August 1, 2016
Credit Enhancement:	N/A

Information

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

Unit Mix

7	1-Bedroom Units
97	2-Bedroom Units
44	3-Bedroom Units
2	4-Bedroom Units
150	Total Units

Unit Type & Number		2015 Rents Targeted % of Area Median Income	2015 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
2	1 Bedroom	50%	44%	$1,019
60	2 Bedrooms	50%	41%	$1,147
20	3 Bedrooms	50%	40%	$1,274
2	4 Bedrooms	50%	39%	$1,376
5	1 Bedroom	50%	44%	$1,019
34	2 Bedrooms	50%	41%	$1,147
20	3 Bedrooms	50%	40%	$1,274
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$0
2	2 Bedrooms	Market Rate Unit	Market Rate Unit	$2,517
3	3 Bedrooms	Market Rate Unit	Market Rate Unit	$2,987

Project Cost Summary at Application

Land and Acquisition	$52,313,200
Construction Costs	$4,000,180
Rehabilitation Costs	$51,618,760
Construction Contingency	$5,645,978
Relocation	$5,639,098
Architectural/Engineering	$2,246,000
Const. Interest, Perm. Financing	$9,415,599
Legal Fees, Appraisals	$90,000
Reserves	$1,568,670
Other Costs	$3,378,044
Developer Fee	$6,000,000
Commercial Costs	$0
Total	**$141,915,529**

Project Financing

Estimated Total Project Cost:	$141,915,529
Estimated Residential Project Cost:	$141,915,529
Estimated Commercial Project Cost:	$0

Residential

Construction Cost Per Square Foot:	$432
Per Unit Cost:	$946,104
Effective Per Unit Cost*:	$582,384

Construction Financing

Source	Amount
Bank of America	$85,681,000
SFHA Seller Carryback Loan	$51,008,000
Deferred Costs	$587,857
Deferred Developer Fee	$3,550,000
Tax Credit Equity	$1,088,672

Permanent Financing

Source	Amount
Bank of America	$24,736,000
SFHA Seller Carryback Loan	$51,008,000
SF MOHCD Loan	$2,160,962
Deferred Developer Fee	$3,550,000
Tax Credit Equity	$60,460,567
TOTAL	**$141,915,529**

*Less Donated Land, Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$82,524,369
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$51,287,612
Applicable Fraction:	96.37%
Qualified Basis (Rehabilitation):	$103,385,957
Qualified Basis (Acquisition):	$49,425,204
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$3,360,044
Maximum Annual Federal Credit, Acquisition:	$1,606,319
Total Maximum Annual Federal Credit:	$4,966,363
Approved Developer Fee (in Project Cost & Eligible Basis):	$6,000,000
Investor/Consultant:	Bank of America
Federal Tax Credit Factor:	$1.21740

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:	$133,811,981
Actual Eligible Basis:	$133,811,981
Unadjusted Threshold Basis Limit:	$71,657,742
Total Adjusted Threshold Basis Limit:	$140,449,174

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: 96%

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

There are currently 158 units on the existing property. Of the 158 units, 7 are currently off-line either due to fire damage (3 units), or for non-residential use (4 units) leaving 151 units available for residential use. The rehabilitation will bring the 7 units currently off-line back on-line for residential use. In addition, 12 units in two of the existing buildings will be demolished due to structural issues. These 12 units will be replaced with 4 newly constructed units and a community room. The overall decrease in units is 8 units from 158 units down to 150 units.

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

The applicant has requested and been granted a waiver to reduce the 10% mobility feature requirement under TCAC Regulation Section 10325(f)(7)(K) down to 8%.

Local Reviewing Agency

The Local Reviewing Agency, the San Francisco Mayor's Office of Housing, 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**
$4,966,363	**$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: None.