CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 19, 2017

455 Fell, located at 455 Fell Street in San Francisco, requested and is being recommended for a reservation of $2,550,757 in annual federal tax credits to finance the new construction of 107 units of housing serving large families with rents affordable to households earning 20-60% of area median income (AMI). The project will be developed by Mercy Housing California and will be located in Senate District 11 and Assembly District 17.

The project financing includes state funding from the AHSC program of HCD.

Project Number CA-17-753

Project Name 455 Fell

Site Address:	455 Fell Street	
	San Francisco, CA 94102	County: San Francisco
Census Tract:	16200.00	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$2,550,757	$0
Recommended:	$2,550,757	$0

Applicant Information

Applicant:	455 Fell, L.P., a California Limited Partnership
Contact:	Tim Dunn
Address:	1360 Mission Street #300 San Francisco, CA 94103
Phone:	415-355-7113
Email:	tdunn@mercyhousing.org

General Partner(s) or Principal Owner(s):	Mercy Housing Calwest SFHDC 455 Fell LLC
General Partner Type:	Nonprofit
Parent Company(ies):	Mercy Housing California San Francisco Housing Development Corporation
Developer:	Mercy Housing California
Investor/Consultant:	Community Economics, Inc.
Management Agent:	Mercy Housing Management Group

Project Information

Construction Type:	New Construction	
Total # Residential Buildings:	1	
Total # of Units:	108	
No. & % of Tax Credit Units:	107	100.00%
Federal Set-Aside Elected:	40%/60%	
Federal Subsidy:	Tax-Exempt	
HCD MHP Funding:	No	
55-Year Use/Affordability:	Yes	

Number of Units @ or below 35% of area median income:	33
Number of Units @ or below 50% of area median income:	21
Number of Units @ or below 60% of area median income:	53

Bond Information

Issuer:	City and County of San Francisco
Expected Date of Issuance:	October 6, 2017
Credit Enhancement:	N/A

Information

Housing Type:	Non-Targeted
Geographic Area:	San Francisco County
TCAC Project Analyst:	Jack Waegell

Unit Mix

1	SRO/Studio Units
57	1-Bedroom Units
42	2-Bedroom Units
8	3-Bedroom Units
108	Total Units

Unit Type & Number		2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
1	SRO/Studio	60%	49%	$1,131
5	1 Bedroom	20%	16%	$405
13	1 Bedroom	50%	47%	$1,153
39	1 Bedroom	60%	52%	$1,293
23	2 Bedrooms	20%	16%	$470
5	2 Bedrooms	50%	47%	$1,383
13	2 Bedrooms	60%	49%	$1,454
5	3 Bedrooms	20%	16%	$547
3	3 Bedrooms	50%	47%	$1,599
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Projected Lifetime Rent Benefit: $211,358,400

Project Cost Summary at Application

Land and Acquisition	$19,757
Construction Costs	$49,048,380
Rehabilitation Costs	$0
Construction Contingency	$2,452,415
Relocation	$0
Architectural/Engineering	$2,530,828
Const. Interest, Perm. Financing	$3,141,538
Legal Fees, Appraisals	$153,115
Reserves	$744,534
Other Costs	$2,650,579
Developer Fee	$4,500,000
Commercial Costs	$821,843
Total	**$66,062,990**

Project Financing

Estimated Total Project Cost:	$66,062,990
Estimated Residential Project Cost:	$65,186,429
Estimated Commercial Project Cost:	$876,561

Residential

Construction Cost Per Square Foot:	$435
Per Unit Cost:	$603,578
True Cash Per Unit Cost*:	$601,060

Construction Financing

Source	Amount
Lender (TBD) - Tax Exempt Bonds	$41,693,889
City and County of San Francisco	$17,309,250
Tax Credit Equity	$2,611,318

Permanent Financing

Source	Amount
Lender (TBD)-Tax Exempt Bonds	$3,804,000
City and County of San Francisco	$17,309,250
AHP	$1,500,000
HCD - AHSC	$15,037,563
General Partner Equity	$2,148,028
Deferred Developer Fee	$271,973
Energy Tax Credit Equity	$121,498
Tax Credit Equity	$25,870,678
TOTAL	**$66,062,990**

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

Determination of Credit Amount(s)

Requested Eligible Basis:	$62,104,037
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	$80,735,249
Applicable Rate:	3.25%
Total Maximum Annual Federal Credit:	$2,550,757
Approved Developer Fee in Project Cost:	$4,500,000
Approved Developer Fee in Eligible Basis:	$4,445,282
Investor/Consultant:	Community Economics, Inc.
Federal Tax Credit Factor:	$1.01424

Per Regulation Section 10327(c)(6), 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:	$62,104,037
Actual Eligible Basis:	$62,104,037
Unadjusted Threshold Basis Limit:	$46,658,684
Total Adjusted Threshold Basis Limit:	$97,893,862

Adjustments to Basis Limit

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages

Local Development Impact Fees

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: 19%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 60%

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 project will be receiving rental assistance in the form of the San Francisco Mayor's Office of Housing Local Operating Subsidy Program (LOSP) for 33 units for formerly homeless families.

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**
$2,550,757	**$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 GreenPoint Rated Multifamily Guidelines