

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

August 16, 2017

REVISED

1500 Mission Street - 80/20 Apartments, located at 1500 Mission Street in San Francisco, requested and is being recommended for a reservation of \$2,462,290 in annual federal tax credits to finance the new construction of 110 units of housing serving tenants with rents affordable to households earning 40-50% of area median income (AMI). The project will be developed by Goodwill SF Urban Development, LLC and is located in Senate District 11 and Assembly District 17.

The project will be receiving rental assistance in the form of Annual Rental Subsidy from Goodwill SR Urban Development, LLC.

Project Number CA-17-775

Project Name 1500 Mission Street - 80/20 Apartments
Site Address: 1500 Mission Street
San Francisco, CA 94103 County: San Francisco
Census Tract: 177.00

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,462,290	\$0
Recommended:	\$2,462,290	\$0

Applicant Information

Applicant: 1500 Mission Housing Partners, LP
Contact: Joe Walsh
Address: 18201 Von Karman Ave, Ste. 900
Irvine, CA 92612
Phone: 415-633-3177
Email: joseph.walsh@related.com

General Partner(s) or Principal Owner(s): 1500 Mission Urban Housing, LLC
General Partner Type: For Profit
Parent Company(ies): Related California Residential, LLC
Developer: Goodwill SF Urban Development, LLC
Investor/Consultant: Union Bank
Management Agent: Related Management Company

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 110
 No. & % of Tax Credit Units: 110 100.00%
 Federal Set-Aside Elected: 20%/50%
 Federal Subsidy: Tax-Exempt
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 110

Bond Information

Issuer: City and County of San Francisco
 Expected Date of Issuance: October 19, 2017
 Credit Enhancement: CitiBank, N.A.

Information

Housing Type: Non-Targeted
 Geographic Area: San Francisco County
 TCAC Project Analyst: Marlene McDonough

Unit Mix

40 SRO/Studio Units
 30 1-Bedroom Units
 38 2-Bedroom Units
 2 3-Bedroom Units

 110 Total Units

<u>Unit Type & Number</u>	<u>2017 Rents Targeted % of Area Median Income</u>	<u>2017 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
6 SRO/Studio	40%	40%	\$922
34 SRO/Studio	50%	44%	\$1,009
5 1 Bedroom	40%	40%	\$987
24 1 Bedroom	50%	47%	\$1,154
6 2 Bedrooms	40%	40%	\$1,185
32 2 Bedrooms	50%	44%	\$1,298
1 3 Bedrooms	40%	40%	\$1,369
1 3 Bedrooms	50%	42%	\$1,441
1* 1 Bedroom	50%	50%	\$1,059

*Manager unit is a LIHTC 50% AMI unit.
 Projected Lifetime Rent Benefit: \$203,305,740

Project Cost Summary at Application

Land and Acquisition	\$8,160,179
Construction Costs	\$41,306,860
Rehabilitation Costs	\$0
Construction Contingency	\$2,071,142
Relocation	\$0
Architectural/Engineering	\$2,644,547
Const. Interest, Perm. Financing	\$5,014,269
Legal Fees, Appraisals	\$8,108
Reserves	\$524,227
Other Costs	\$7,007,477
Developer Fee	\$3,767,123
Commercial Costs	\$0
Total	\$70,503,934

Project Financing

Estimated Total Project Cost:	\$70,503,934
Estimated Residential Project Cost:	\$70,503,934
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$514
Per Unit Cost:	\$640,945
True Cash Per Unit Cost*:	\$640,945

Construction Financing

Source	Amount
CitiBank, N.A. - Senior Credit	\$68,738,518
Applicant Deferred Costs	\$524,227
Tax Credit Equity	\$1,241,189

Permanent Financing

Source	Amount
CitiBank N.A. - Permanent Loan	\$45,881,034
Tax Credit Equity	\$24,622,900
TOTAL	\$70,503,934

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$58,279,055
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$75,762,772
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	\$2,462,290
Approved Developer Fee in Project Cost:	\$3,767,123
Approved Developer Fee in Eligible Basis:	\$3,756,973
Investor/Consultant:	Union Bank
Federal Tax Credit Factor:	\$1.00000

Per Regulation Section 10322(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:	\$58,279,055
Actual Eligible Basis:	\$58,279,055
Unadjusted Threshold Basis Limit:	\$44,240,818
Total Adjusted Threshold Basis Limit:	\$96,084,440

Adjustments to Basis Limit

- 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: 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

This project is part of an 80/20 development that consists of 110 low-income housing tax credit (LIHTC) units including 1 LIHTC 50% AMI manager's unit and 440 market-rate units (550 units total). The site is comprised of 3 parcels, Lot B (440 market-rate units), Lot D (LIHTC units), and Lot C (retail space).

The applicant will lease the LIHTC portion of the building from a related party lessor. The LIHTC project will receive an annual rental subsidy of approximately \$1,006,895 from the lessor to service its allocable portion of the permanent debt during the compliance period. The master lease between 1500 Mission Housing Partners, LP (lessee) and 1500 Mission Urban Housing, LLC (lessor).

Local Reviewing Agency

The Local Reviewing Agency, 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
\$2,462,290	\$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 Leadership in Energy & Environmental Design (LEED); Green Communities / Passive House Institute US (PHIUS) / Passive House / Living Building Challenge / GreenPoint Rated Multifamily Guidelines / WELL

- The project commits to irrigate only with reclaimed water, greywater, or rainwater (excluding community gardens)
- The project commits to having at least 1 building subject to a policy developed by the owner that prohibits smoking in contiguous designated units.
- 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.