

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**October 27, 2010**

**Project Number** CA-2010-828

**Project Name** Hunters View Phase 1  
Site Address: 227 - 229 West Point Road  
San Francisco, CA 94124 County: San Francisco  
Census Tract: 231.030

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$2,959,141	\$0
Recommended:	\$2,959,141	\$0

**Applicant Information**

Applicant: HV Partners 1, L.P.  
Contact: Jack Gardner  
Address: 1388 Sutter Street, 11th Floor  
San Francisco, CA 94109  
Phone: (415) 345-4400 Fax: (415) 614-9175  
Email:

General partner(s) or principal owner(s): Hunters Point Affordable Housing, Inc.  
The John Stewart Company  
Devine & Gong, Inc.  
General Partner Type: Joint Venture  
Developer: Hunters Point Affordable Housing, Inc.  
Investor/Consultant: Enterprise Community Partners, Inc.  
Management Agent: The John Stewart Company

**Project Information**

Construction Type: New Construction  
Total # Residential Buildings: 3  
Total # of Units: 107  
No. & % of Tax Credit Units: 106 99%  
Federal Set-Aside Elected: 40%/60%  
Federal Subsidy: Tax-Exempt  
HCD MHP Funding: Yes  
55-Year Use/Affordability: Yes  
Number of Units @ or below 50% of area median income: 105  
Number of Units @ or below 60% of area median income: 1

**Information**

Housing Type: Non-Targeted  
 Geographic Area: San Francisco County  
 TCAC Project Analyst: Gina Ferguson

**Bond Information**

Issuer: San Francisco Redevelopment Agency  
 Expected Date of Issuance: December 2010  
 Credit Enhancement: None

**Unit Mix**

4 1-Bedroom Units  
 49 2-Bedroom Units  
 37 3-Bedroom Units  
 15 4-Bedroom Units  
 2 5-Bedroom Units  


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 107 Total Units

<u>Unit Type &amp; Number*</u>	<u>2010 Rents Targeted % of Area Median Income</u>	<u>2010 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
3 1 Bedroom	50%	13%	\$260
1 1 Bedroom	50%	50%	\$1,004
1 2 Bedrooms	60%	46%	\$1,123
24 2 Bedrooms	50%	12%	\$280
23 2 Bedrooms	50%	46%	\$1,123
18 3 Bedrooms	50%	11%	\$300
19 3 Bedrooms	50%	45%	\$1,256
7 4 Bedrooms	50%	10%	\$320
8 4 Bedrooms	50%	44%	\$1,362
1 5 Bedrooms	50%	10%	\$340
1 5 Bedrooms	50%	43%	\$1,471
1 2 Bedrooms	Market Rate Unit	Market Rate Unit	\$1,049

\*Income targeted units above include (1) 2-bedroom income-restricted manager unit.

**Project Financing**

Estimated Total Project Cost: \$76,219,954      Construction Cost Per Square Foot: \$287  
 Per Unit Cost: \$712,336

<b>Construction Financing</b>		<b>Permanent Financing</b>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Citibank - Tax-Exempt Bonds	\$41,000,000	HCD MHP	\$10,000,000
HCD IIG	\$7,125,423	HCD IIG	\$7,125,423
SF Redevelopment Agency	\$9,817,252	SF Redevelopment Agency	\$9,817,252
SF Mayor's Office of Housing	\$4,679,953	SF Mayor's Office of Housing	\$17,522,434
SF Housing Authority	\$8,087,723	SF Housing Authority	\$8,087,723
AHP	\$1,000,000	AHP	\$1,000,000
GP Equity	\$100	GP Equity	\$100
Tax Credit Equity	\$4,541,503	Tax Credit Equity	\$22,667,022
		<b>TOTAL</b>	<b>\$76,219,954</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$67,609,099
130% High Cost Adjustment:	Yes
Applicable Fraction:	99.07%
Qualified Basis:	\$87,070,410
Applicable Rate:	3.40%
Total Maximum Annual Federal Credit:	\$2,959,141
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,200,000
Investor/Consultant:	Enterprise Community Partners, Inc.
Federal Tax Credit Factor:	\$0.76600

Per Regulation Section 10322(i)(4)(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:	\$67,609,099
Actual Eligible Basis:	\$67,609,099
Unadjusted Threshold Basis Limit:	\$44,610,480
Total Adjusted Threshold Basis Limit:	\$97,726,136

**Adjustments to Basis Limit:**

Required to Pay Prevailing Wages  
55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 99%

**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 3.40% of the qualified basis. Unless the applicant fixed the rate at bond issuance, the Federal Rate applicable to the month the project is placed-in-service will be used to determine the final allocation.

**Special Issues/Other Significant Information:** Hunters View Phase 1 is the first of three phases rehabilitating an existing 267-unit public housing complex. Originally constructed in 1957, the existing units and structures were determined to have deteriorated beyond rehabilitation; those on the Phase 1 site were demolished earlier this year. Significant infrastructure improvements (including: demolition of existing roads and utilities, replacement of utilities, sewer, power, water, & communication, addition of new roads, and landscaping) are estimated to cost over \$13 million. In addition, the application cites a significant amount of site work as necessary for the proposed project configuration. The application states that the project sponsor, the City of San Francisco's HOPE SF program, aware of the project's high cost, has made every effort to pursue all available funding sources. Local public funds for this project total more than \$35 million. In funding the redevelopment of Hunters View, the local public agencies involved state they are committed to building a safe and enduring neighborhood to replace the existing distressed public housing.

**Local Reviewing Agency:**

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

**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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$2,959,141</b>	<b>\$0</b>

**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 an allocation 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