

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2015 First Round
June 10, 2015

Project Number CA-15-053

Project Name Hunters View Block 10
 Site Address: 112 Middle Point Road
 San Francisco, CA 94124 County: San Francisco
 Census Tract: 231.030

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,500,000	\$0
Recommended:	\$2,500,000	\$0

Applicant Information

Applicant: HV Partners Block 10, L.P.
 Contact: Jack D. Gardner
 Address: 1388 Sutter Street, 11th Floor
 San Francisco, CA 94109
 Phone: 415-345-4400 Fax: 415-614-9175
 Email: jgardner@jsco.net

General Partner(s) / Principal Owner(s): Hunters Point Affordable Housing, Inc.
 Devine & Gong, Inc.
 JSCo Hunters View Block 10, LLC

General Partner Type: Joint Venture

Parent Company(ies): Ridgepoint Non-Profit Housing
 Devine & Gong, Inc.
 The John Stewart Company

Developer: HV Partners Block 10, L.P.

Investor/Consultant: Wells Fargo

Management Agent(s): The John Stewart Company

Project Information

Construction Type: New Construction

Total # Residential Buildings: 1

Total # of Units: 72

No. & % of Tax Credit Units: 71 100%

Federal Set-Aside Elected: 40%/60%

Federal Subsidy: HUD Project-based Section 8 Vouchers (18 units - 25%) /
 HUD (RAD) Project-based Vouchers (36 units - 50%)

Affordability Breakdown by Units and % (Lowest Income Points):

30% AMI:	35	45 %
45% AMI:	36	50 %

Information

Set-Aside: N/A
 Housing Type: Large Family
 Geographic Area: San Francisco County
 TCAC Project Analyst: Connie Harina

Unit Mix

38 1-Bedroom Units
 32 3-Bedroom Units
 2 5-Bedroom Units

 72 Total Units

<u>Unit Type & Number</u>	<u>2014 Rents Targeted % of Area Median Income</u>	<u>2014 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
19 1 Bedroom	30%	30%	\$623
1 1 Bedroom	45%	30%	\$623
10 1 Bedroom	45%	45%	\$934
8 1 Bedroom	45%	45%	\$934
16 3 Bedrooms	30%	30%	\$863
8 3 Bedrooms	45%	42%	\$1,214
7 3 Bedrooms	45%	42%	\$1,214
2 5 Bedrooms	45%	40%	\$1,409
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$895

Project Cost Summary at Application

Land and Acquisition	\$6,310,000
Construction Costs	\$29,254,081
Rehabilitation Costs	\$0
Construction Contingency	\$1,462,704
Relocation	\$0
Architectural/Engineering	\$1,499,991
Const. Interest & Perm. Financing	\$2,094,188
Legal Fees, Appraisals	\$249,828
Reserves	\$1,004,108
Other Costs	\$2,956,529
Developer Fee	\$2,000,000
Commercial Costs	\$3,516,058
Total	\$50,347,487

Project Financing

Estimated Total Project Cost:	\$50,347,487
Estimated Residential Project Cost:	\$46,831,429
Estimated Commercial Project Cost	\$3,516,058

Residential

Construction Cost Per Square Foot:	\$362
Per Unit Cost:	\$650,437

Construction Financing

Source	Amount
Citibank	\$23,500,000
S.F. Mayor's Office of Housing	\$13,622,230
San Francisco Housing Authority	\$6,310,000
Deferred Costs	\$1,810,157
General Partner Equity	\$100
Tax Credit Equity	\$5,150,000

Permanent Financing

Source	Amount
Citibank	\$1,963,007
S.F. Mayor's Office of Housing	\$13,622,230
San Francisco Housing Authority	\$6,310,000
General Partner Equity	\$100
Tax Credit Equity	\$28,452,150
TOTAL	\$50,347,487

Determination of Credit Amount(s)

Requested Eligible Basis:	\$37,654,200
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$48,950,460
Applicable Rate:	7.69%
Maximum Annual Federal Credit:	\$3,764,290
Approved Developer Fee in Project Cost:	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Wells Fargo
Federal Tax Credit Factor:	\$1.13809

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:	\$37,654,200
Actual Eligible Basis:	\$37,654,200
Unadjusted Threshold Basis Limit:	\$28,739,808
Total Adjusted Threshold Basis Limit:	\$39,948,334

Adjustments to Basis Limit:

- Required to Pay Prevailing Wages
- Parking Beneath Residential Units
- Day Care Center
- 95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

Initial: **Letter of Support**
First: **Large Family**
Second: **53.649%**

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 7.69% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.30%. 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:

Staff noted a per unit development cost of \$650,437. The factors contributing to the cost include the site infrastructure, difficult topography and soil excavation. In addition, none of the existing buildings can be reused and will need to be demolished and replaced with relatively low-density buildings.

Legal Status: Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

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
\$2,500,000	\$0

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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 performance deposit and 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.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of ten years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(6) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

Additional Conditions: None.

Points System	Max. Possible Points	Requested Points	Points Awarded
Cost Efficiency / Credit Reduction / Public Funds	20	20	20
Public Funds	20	20	20
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ¼ mile of transit stop, service every 30 min, 25 units/acre density	7	7	7
Within ¼ mile of public park or community center open to general public	3	3	3
Within 1.5 miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Within ¼ mile of public elementary school	3	3	3
Within 1 mile of medical clinic or hospital	2	2	2
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Licensed child care, available 20 hrs/week or more, M-F	5	5	5
Sustainable Building Methods	10	0	0
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed	20	15	15
Miscellaneous Federal and State Policies	2	2	2
Qualified Census Tract	2	2	2
Total Points	148	133	133

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.