

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

August 19, 2015

REVISED

491 31st Ave., located at 491 31st Ave. in San Francisco, CA, requested and is being recommended for a reservation of \$987,850 in annual federal tax credits to finance the acquisition and rehabilitation of 74 units of housing serving seniors with rents affordable to households earning 50% of area median income (AMI). The project will be developed by 491 31st Ave., LP and will be located in Senate District 11 and Assembly District 19.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Contract and HUD (RAD) Project-based Vouchers.

Project Number CA-15-878

Project Name 491 31st Ave
Site Address: 491 31st Ave.
San Francisco, CA 94121 County: San Francisco
Census Tract: 427.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$987,850	\$0
Recommended:	\$987,850	\$0

Applicant Information

Applicant: 491 31st Ave, L.P.
Contact: Jack D. Gardner
Address: 1388 Sutter St., 11th Floor
San Francisco, CA 94109
Phone: 415-345-4400 Fax: 415-614-9175
Email: jgardner@jsco.net

General Partner(s) or Principal Owner(s): JSCO CA Corridor, LLC
Mercy Housing Calwest
Japanese American Religious Federation Housing, Inc.

General Partner Type: Joint Venture
Parent Company(ies): John Stewart Company
Mercy Housing California
Japanese American Religious Federation Housing, Inc.

Developer: 491 31st Ave, LP
Investor/Consultant: California Housing Partnership Corporation
Management Agent: John Stewart Company

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 1
 Total # of Units: 75
 No. & % of Tax Credit Units: 74 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-Based Contract (30 units - 40%)
 HUD (RAD) Project-Based Vouchers (44 units - 60%)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 74

Bond Information

Issuer: San Francisco Mayor's Office of Housing and Community Development
 Expected Date of Issuance: October 1, 2015
 Credit Enhancement: N/A

Information

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

Unit Mix

66 SRO/Studio Units
 8 1-Bedroom Units
 1 2-Bedroom Units

 75 Total Units

<u>Unit Type & Number</u>	<u>2015 Rents Targeted % of Area Median Income</u>	<u>2015 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
44 SRO/Studio	50%	41%	\$850
22 SRO/Studio	50%	41%	\$850
7 1 Bedroom	50%	44%	\$972
1 2 Bedrooms	50%	41%	\$1,093
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$12,999,405
Construction Costs	\$0
Rehabilitation Costs	\$8,221,522
Construction Contingency	\$1,186,956
Relocation	\$328,720
Architectural/Engineering	\$1,007,583
Construction Interest, Perm Financing	\$1,102,228
Legal Fees, Appraisals	\$212,250
Reserves	\$719,634
Other Costs	\$529,357
Developer Fee	\$2,500,000
Commercial Costs	\$0
Total	\$28,807,655

Project Financing

Estimated Total Project Cost:	\$28,807,655
Estimated Residential Project Cost:	\$28,807,655

Residential

Construction Cost Per Square Foot:	\$211
Per Unit Cost:	\$384,102

Construction Financing

Source	Amount
Bank of America	\$16,227,000
Seller Carryback Note*	\$9,675,731
Accrued/deferred Interest*	\$403,155
Costs Deferred until Completion	\$1,597,886
Tax Credit Equity	\$903,883

Permanent Financing

Source	Amount
Bank of America	\$5,127,000
San Francisco Housing Authority	\$1,150,000
Seller Carryback Note*	\$9,675,731
Accrued/deferred Interest*	\$403,155
General Partner Capital Contribution	\$500,000
Tax Credit Equity	\$11,951,769
TOTAL	\$28,807,655

*Seller carryback note and accrued deferred interest are held by San Francisco Housing Autho

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$13,163,635
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$12,822,122
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$17,112,726
Qualified Basis (Acquisition):	\$12,822,122
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$564,720
Maximum Annual Federal Credit, Acquisition:	\$423,130
Total Maximum Annual Federal Credit:	\$987,850
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$1.20988

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:	\$25,985,757
Actual Eligible Basis:	\$25,985,757
Unadjusted Threshold Basis Limit:	\$23,753,098
Total Adjusted Threshold Basis Limit:	\$47,506,196

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: 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 3.30% 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 proposed rent does not include any 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 5%.

The applicant has requested and been granted a waiver to substitute in vinyl flooring for the minimum construction standard of floor coverings TCAC Regulation Section 10325(f)(7)(G).

Local Reviewing Agency:

The Local Reviewing Agency, the City and County of 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
\$987,850	\$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.