CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
January 17, 2018

One Church Street Apartments, located at 1 Church Street in San Francisco, requested and is being recommended for a reservation of $1,734,024 in annual federal tax credits to finance the acquisition and rehabilitation of 92 units of housing serving large families with rents affordable to households earning 50%-60% of area median income (AMI). The project will be developed by BRIDGE Housing and is located in Senate District 11 and Assembly District 17.

One Church Street Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Church Street Apartments (CA-2002-859). See **Resyndication and Resyndication Transfer Event** below for additional re-syndication information. The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

Project Number CA-18-701

Project Name One Church Street Apartments
Site Address: 1 Church Street
San Francisco, CA 94117 County: San Francisco
Census Tract: 168.01

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,734,024	$0
Recommended:	$1,734,024	$0

Applicant Information
Applicant: Hermann Street Associates, L.P.
Contact: Ali Gaylord
Address: 600 California Street Suite 900
San Francisco, CA 94108
Phone: 415-321-3569
Email: agaylord@bridgehousing.com

General Partner(s) or Principal Owner(s): Hermann Street Associates LLC
General Partner Type: Nonprofit
Parent Company(ies): BRIDGE Housing
Developer: BRIDGE Housing
Investor/Consultant: California Housing Partnership Corporation
Management Agent: BRIDGE Property Management Company

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	1
Total # of Units:	93
No. & % of Tax Credit Units:	92 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Vouchers (31 units - 33%) HOME / HOPWA
HCD MHP Funding:	No
55-Year Use/Affordability:	Yes

Number of Units @ or below 50% of area median income: 63
Number of Units @ or below 60% of area median income: 29

Bond Information

Issuer:	City and County of San Francisco
Expected Date of Issuance:	March 8, 2017

Information

Housing Type:	Large Family
Geographic Area:	San Francisco County
TCAC Project Analyst:	Marlene McDonough

Unit Mix

30 1-Bedroom Unit(s)
35 2-Bedroom Unit(s)
28 3-Bedroom Unit(s)
93 Total Units

Unit Type & Number		2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
6	1 Bedroom	50%	40%	$977
8	1 Bedroom	50%	44%	$1,081
9	1 Bedroom	50%	37%	$921
7	1 Bedroom	60%	44%	$1,093
6	2 Bedrooms	50%	40%	$1,184
4	2 Bedrooms	50%	44%	$1,299
12	2 Bedrooms	50%	36%	$1,079
13	2 Bedrooms	60%	44%	$1,290
7	3 Bedrooms	50%	42%	$1,437
11	3 Bedrooms	50%	36%	$1,233
9	3 Bedrooms	60%	43%	$1,473
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$0

TCAC-confirmed Projected Lifetime Rent Benefit: $92,482,500

Project Cost Summary at Application

Land and Acquisition	$25,625,000
Construction Costs	$0
Rehabilitation Costs	$11,046,571
Construction Contingency	$2,159,314
Relocation	$2,382,000
Architectural/Engineering	$812,376
Const. Interest, Perm. Financing	$1,860,332
Legal Fees, Appraisals	$202,500
Reserves	$854,784
Other Costs	$1,020,145
Developer Fee	$4,000,000
Commercial Costs	$0
Total	**$49,963,022**

Residential

Construction Cost Per Square Foot:	$112
Per Unit Cost:	$537,237
True Cash Per Unit Cost*:	$486,519

Construction Financing

Source	Amount
Prudential/Fannie Mae	$14,175,000
Stifel Tax Exempt Bond	$15,325,000
Seller Carryback Loan	$3,766,761
General Partner Short Term Work	$800,000
Deferred Costs	$3,027,775
Deferred Developer Fee	$950,000
Tax Credit Equity	$11,918,486

Permanent Financing

Source	Amount
Prudential/Fannie Mae	$14,175,000
MOHCD / HOME / HOPWA**	$12,927,684
Seller Carryback Loan	$3,766,761
General Partner Short Term Work	$800,000
General Partner Contribution	$1,050,000
Deferred Developer Fees	$950,000
Tax Credit Equity	$16,293,577
TOTAL	**$49,963,022**

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee
**San Francisco Mayor's Office of Housing and Community Development

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$20,487,162
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$26,721,262
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$26,633,311
Qualified Basis (Acquisition):	$26,721,262
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$865,583
Maximum Annual Federal Credit, Acquisition:	$868,441
Total Maximum Annual Federal Credit:	$1,734,024
Approved Developer Fee (in Project Cost & Eligible Basis):	$4,000,000
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	$0.93964

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:	$47,208,424
Actual Eligible Basis:	$47,208,424
Unadjusted Threshold Basis Limit:	$44,562,564
Total Adjusted Threshold Basis Limit:	$74,865,108

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: 68%

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.

Significant Information / Additional Conditions
The estimated cost of the project is $537,237 per unit. This relatively high cost compared to most other areas of California is due in part to the high cost of construction in San Francisco which has been experiencing an escalation of construction costs as high as 10-12% annually, the project's rental subsidies supporting a strong property value and cost, relocation expenses, the extensive rehabilitation required at the project.

Resyndication and Resyndication Transfer Event
Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-2002-859). To be eligible for a new award of tax credits, the owner must provide documentation with the Form 8609 request (the placed in service submission) that the acquisition date and the placed in service date both occurred after the existing federal 15 year compliance period was completed.

The newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreement(s) and any deeper targeting levels in the new regulatory agreement(s) for the duration of the new regulatory agreement(s). Existing households determined to be income-qualified for purposes of IRC §42 credit during the 15-year compliance period are concurrently income-qualified households for purposes of the extended use agreement. As a result, any household determined to be income qualified at the time of move-in under the existing regulatory agreement (CA-2002-859 is a qualified low-income household for the subsequent allocation (existing household eligibility is "grandfathered").

The project is a resyndication where the existing regulatory agreement requires service amenities. The project shall provide a similar or greater level of services for a period of at least 15 years under the new regulatory agreement. The project is deemed to have met this requirement based on TCAC staff's review of the commitment in the application. The services budget is reasonable and sufficient to support the services with grant funding from the City of San Francisco. The services documented in the placed in service package will be reviewed by TCAC staff for compliance with this requirement at the time of the placed in service submission. The services budget is reasonable and sufficient to support the services with grant funding from the City of San Francisco.

The project is a resyndication subject to the hold harmless rent limits. The applicant requested and is approved to underwrite the project at the hold harmless rent limits based on 2003, the year in which the existing TCAC project was originally placed-in-service. The new regulatory agreement shall reflect the current tax credit rent limits, while the project may continue to charge the hold harmless rents for 63 units at or below 50% AMI and 32 units at or below 45% AMI and 29 units at or below 60% AMI, provided that such hold harmless rents do not exceed the current tax credit rent limit for 60% AMI, only until such time as the current tax credit rent limits equal or exceed the hold harmless rents.

The project is a resyndication occurring concurrently with a Transfer Event with distribution of Net Project Equity. The rehabilitation scope of work shall include all of the Short Term Work in the amount of $800,000. There is a developer fee contribution to the project of $2,000,000 allowing the applicant to receive eligible basis for the entire Short Term Work amount.

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.

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.

CDLAC 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 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.