CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
June 20, 2008

Project Number CA-2008-866

Project Name Zygmunt Arendt House
Address: 850 Broderick Street
San Francisco, CA 94115 County: San Francisco

Applicant Information
Applicant: Arendt House, L.P.
Contact Don Falk
Address: 201 Eddy Street
San Francisco, CA 94102
Phone: (415) 776-2121 Fax: (415) 776-3952
Sponsors Type: Nonprofit

Bond Information
Issuer: City and County of San Francisco
Expected Date of Issuance: August 25, 2008
Credit Enhancement: N/A

Eligible Basis
Actual: $14,567,591
Requested: $14,567,591
Maximum Permitted: $17,449,035

Extra Feature Adjustments:
Required to Pay Prevailing Wages: 20% ☒
Seismic Upgrading of Existing Structures or Toxic or Other Environmental Mitigation: Up to 15% ☒
Local Development Impact Fees: ☒
95% of Upper Floor Units are Elevator-Serviced: 10% ☒
55-Year Use/Affordability Restriction - Each 1% of Low-Income Units are Income Targeted Between 50% AMI & 36% AMI: 30% ☒

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	$524,433	$0
Recommended:	$524,433	$0

Project Information
Construction Type: New Construction
Federal Subsidy: Tax-Exempt
HCD MHP Funding: Yes
Total # of Units: 47
Total # Residential Buildings: 1

Income/Rent Targeting
Federal Setaside Elected: 40%/60%
% & No. of Targeted Units: 100% - 46 units
55-Year Use/Affordability Restriction: Yes
Number of Units @ or below 50% of area median income: 14
Number of Units @ or below 60% of area median income: 32

Unit Type & Number	**2008 Rents % of Area Median Income**	**Proposed Rent** (including utilities)
14 Studio	50%	$297
32 Studio	60%	$297
1 Studio	Manager's Unit	$297

The general partner or principal owner is CHP Arendt, LLC.

The project developers are Tenderloin Neighborhood Development Corporation and Community Housing Partnership.

The management services will be provided by Community Housing Partnership.

The market analysis was provided by Newport Realty Advisors.

The Local Reviewing Agency, the Mayor's Office of Housing for the City and County of San Francisco, has completed a site review of this project and strongly supports this project.

Project Financing

Estimated Total Project Cost: $16,457,421 Per Unit Cost: $350,158 Construction Cost Per Sq. Foot: $333

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Silicon Valley Bank – TE Bonds	$10,499,999	HCD / MHP	$7,000,000
City & County of S.F. (Gap Loan)	$2,179,765	City & County of S.F. (Gap Loan)	$2,179,765
City & County of S.F. (HUD Loan)	$962,240	City & County of S.F. (HUD Loan)	$962,240
City & County of S.F. (Arendt Grant)	$680,000	City & County of S.F. (Arendt Grant)	$680,000
FHLB – AHP / Silicon Valley Bank	$376,000	FHLB – AHP / Silicon Valley Bank	$376,000
		California Energy Commission	$66,127
		Deferred Developer Fee	$425,500
		Investor Equity	$4,767,789
		TOTAL	**$16,457,421**

Determination of Credit Amount(s)

Requested Eligible Basis:	$14,567,591
130% High Cost Adjustment:	No
Applicable Fraction:	100%
Qualified Basis:	$14,567,591
Applicable Rate:	3.60%
Total Maximum Annual Federal Credit:	$524,433
Approved Developer Fee:	$1,200,000
Tax Credit Factor: *Community Economics*	$0.9091

Applicant requests and staff recommends annual federal credits of $524,433 based on a qualified basis of $14,567,591 and a funding shortfall of $4,767,789.

Cost Analysis and Line Item Review
The requested eligible basis $14,567,591 is below TCAC's adjusted threshold basis limit $17,449,035. The basis limit includes the adjustment for extraordinary features for projects that are required to pay state or federal prevailing wages, projects requiring seismic upgrading of existing structures, or requiring toxic or other environmental mitigation as certified by the project architect, local development impact fees, projects that include 95% of upper floor units are elevator-serviced, and 55-year use/affordability restriction for projects where each 1% of low-income units are income targeted between 50% AMI & 36% AMI. Staff analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitation.

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 3.60% 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: None

Recommendation: Staff recommends that the Committee make a reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal/Annual	State/Total
$524,433	**$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 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 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 anticipated to be the final project costs, staff recommends that a reservation be made in the amount of federal credit shown above on condition that the final project costs be supported by itemized lender approved costs, and certified costs of the buildings as completed.

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 credits 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 provide the tenants with educational classes and contract for services, such as assistance with daily living activities, etc. for a minimum of ten (10) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC.

Project Analyst: Anthony Zeto