

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**2009 Cash in Lieu of Credits - Gap Financing/ TCAP Funds**  
**August 26, 2009**

**Project Number** CA-2009-571

**Project Name** Arc Light Company  
**Address:** 178 Townsend Street  
San Francisco, CA 94107 County: San Francisco

**Applicant Information**

**Applicant:** 178 Townsend Properties, LLC  
**Sponsor:** Patrick M. McNerney  
**Address:** 54 Mint Street, Fifth Floor  
San Francisco, CA 94103  
**Phone:** (415) 348-4600 **Fax:** (415) 348-8058

**General Partner Type:** Joint Venture  
The general partner(s) or principal owner(s) are 178 Townsend Properties, LLC, and the Urban Preservation Foundation

**Project Information**

**Construction Type:** New Construction  
**Federal Subsidy:** Tax-Exempt/100% of the units receiving rental assistance.  
**HCD MHP Funding:** No  
**Total # of Units:** 19  
**Total # Residential Buildings:** 1

**Information**

**Housing Type:** Non-targeted  
**Proposed Average Affordability:** 40.00

**Davis-Bacon Required:** Yes

**NEPA Required:** Yes

**State Prevailing Wages Required:** No

**2009 TCAC Project Number:** CA-2009-836

**2009 Federal Tax Credits Requested:** **Federal Credit**  
\$263,229

**2009 Federal Tax Credits Expected to be Retained:** \$263,229

**Amount of Gap Financing Requested:** **Federal Credit**  
11.89 Cents

**Current Net Equity Factor:** **.70**

**Federal Calculation**

**Amount of Net Equity Factor Requested:**  $(\$263,229 \times 10 \times .11.89) = \$312,972$

**Amount of Gap Financing Recommended:** \$312,972

<b>ARRA Scoring Criteria</b>	<b>Max. Possible Points</b>	<b>Points Awarded</b>
<b><i>DDA Bonus Points</i></b>	<b>25</b>	<b>0</b>
<b><i>Housing Type Points (Maximum of 50 points)</i></b>		
<input checked="" type="checkbox"/> Non-targeted Project	<b>0</b>	<b>0</b>
<b><i>Total Project Cost/Cash Request Points (Maximum of 100 points)</i></b>		
<input checked="" type="checkbox"/> Other Project		
Total Project Cost: \$8,990,808		
Cash Award Request: \$312,972		
Total Points Awarded: $100 - (\$312,972 / \$8,990,808 \times 100) = 96.5189$	<b>100</b>	<b>96.5189</b>
<b><i>Total Average Affordability Points (Maximum of 100 points)</i></b>		
Projects Original Proposed Average Affordability: 40%		
60% - Average Affordability X 5 Points = $(60\% - 40\%) \times 5 = 100.00$	<b>100</b>	<b>100.00</b>
<b>Total Points</b>	<b>275</b>	<b>196.5189</b>

**Approved 2009 TCAC Proposed Rent and Income Levels**

<u>Unit Type &amp; Number</u>	<u>% of Area Median Income</u>	<u>Proposed Rent</u> (including utilities)
3 SRO/Studio	50%	\$905
9 One-Bedroom	50%	\$1,048
7 Two-Bedroom	50%	\$1,189

**Project Financing**

Estimated Total Project Cost: \$8,990,808 Per Unit Cost: \$473,200

CBRE – Tax Exempt Bonds	\$4,575,000	CBRE – Tax Exempt Bonds	\$4,575,000
HCD – Urban Infill Grant	\$800,000	HCD – Urban Infill Grant	\$800,000
HCD – TOD Loan	\$942,532	HCD – TOD Loan	\$942,532
Deferred Developer Fee	\$705,483	Deferred Developer Fee	\$517,700
TCAC ARRA Funds	\$125,189	TCAC ARRA Funds	\$312,972
Investor Equity	\$1,842,603	Investor Equity	\$1,842,603
		<b>TOTAL</b>	<b>\$8,990,808</b>

**Income and Expense Statement for Year 1**

<b>Gross Residential Rents:</b>	\$208,284
<b>Subsidy Income:</b>	\$260,000
<b>Miscellaneous Income:</b>	\$87,079
<b>Vacancy Rate: 5%</b>	(\$27,768)
<b>Total Effective Gross Income:</b>	\$527,595
<b>Less Total Expenses/Reserves:</b>	\$180,291

<b>Net Operation Income:</b>	\$347,304
<b>Debt Service:</b>	\$311,689
<b>Net Cash Flow</b>	\$35,615
<b>Debt Service Ratio:</b>	1.11 to 1

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 analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitations.

### **Special Conditions**

"Actual award of the ARRA funds is contingent upon the applicant receiving an allocation of federal 4% tax credits from the California Tax Credit Allocation Committee. If the project does not receive an allocation of federal tax credits prior to September 30, 2009, the project will be ineligible for an ARRA award."

### **Standard Conditions**

The Committee may make a Conditional Reservation of American Recovery and Reinvestment Act of 2009 (ARRA), Tax Credit Assistance Program (TCAP) funds for the project sponsor. This Conditional Reservation would not constitute a commitment of funds or site approval, and that such commitment of funds or approval may occur only upon satisfactory completion of environmental review and receipt by the California Tax Credit Allocation Committee of a release of funds from the U.S. Department of Housing and Urban Development under 24 CFR Part §58. The provision of any funds to the project is conditioned on TCAC's determination to proceed with, modify or cancel the project based on the results of a subsequent environmental review and further underwriting.

The project sponsor is prohibited from undertaking or committing any funds to physical or choice-limiting actions, including property acquisition, demolition, movement, rehabilitation, conversion, repair or construction prior to the environmental clearance. A violation of this provision may result in the denial of any funds.

In addition, each project ultimately awarded ARRA TCAP funds will have to comply with all federal requirements, such as Section 504, Davis-Bacon federal labor standards laws, anti-lobbying requirements, lead-based paint rules, and other federal laws.

All ARRA funded projects will be required to track and report on all jobs created or retained as a result of the funds.

Numbers contained in the proposed financing are subject to update and will be refined within 30 days of loan execution agreement.