CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
September 23, 2009

Project Number CA-2009-836

Project Name Arc Light Co.
Address: 178 Townsend Street
San Francisco, CA 94107 County: San Francisco

Applicant Information
Applicant: 178 Townsend Properties, LLC
Contact Patrick M. McNerney
Address: 54 Mint Street, Fifth Floor
San Francisco, CA 94103
Phone: (415) 348-4600 Fax: (415) 348-8058
Email: pmcnerney@martinbuilding.com
Sponsors Type: Joint Venture

Information
Housing Type: Non-Targeted

Bond Information
Issuer: ABAG Financing Authority
Expected Date of Issuance: 10/1/09
Credit Enhancement: FHA Insurance

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	$263,229	$0
Recommended:	$263,229	$0

Project Information
Construction Type: New Construction
Federal Subsidy: Tax-Exempt
HCD MHP Funding: No
Total # of Units: 18
Total # Residential Buildings: 1
Federal Setaside Elected: 20%/50%
% & No. of Targeted Units: 100% - 18 units
55-Year Use/Affordability Restriction: Yes

Eligible Basis
Actual: $7,520,829
Requested: $7,938,256
Maximum Permitted: $14,791,896

Adjustments to Threshold Basis Limit:

Required to Pay Prevailing Wages: 20%
Parking Beneath Residential Units: 7%
Day Care Center is Part of Project: 2%
Exceed Title 24 Standards by at Least 35%: 4%
3 or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features: 4%

- Projects exceeding Title 24 by at least 15%
- Projects using a Minimum Efficiency Report Value (MERV) 8 or higher air filter for HVAC systems that introduce outside air
- Projects recycling at least 75% of the construction and demolition waste (measured by either weight or volume)
- Projects installing bamboo, stained concrete, cork, salvaged or FSC-Certified wood, ceramic tile, or natural linoleum in all living rooms or 50% or all common areas
- Projects using CRI Green Label Plus Carpet or no carpet in all bedrooms

Seismic Upgrading of Existing Structures and/or Toxic or Other Environmental Mitigation: Up to 15%
Distributive Energy Technologies and/or Renewable Energy Sources: Up to 5%
Local Development Impact Fees: $53,570
95% of Upper Floor Units are Elevator-Serviced: 10%
55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted Between 50% AMI & 36% AMI: 18%

		2009 Rents	
Unit Type & Number		**% of Area Median Income**	**Proposed Rent** (including utilities)
3	Studio	50%	$905
8	One-Bedroom	50%	$1,048
7	Two-Bedroom	50%	$1,189
1	One-Bedroom	Manager's Unit	$2,654

The general partner(s) or principal owner(s) are 178 Townsend Properties, LLC and Urban Preservation Foundation.

The project developer is Martin Building Company.

The management services will be provided by Martin Building Company.

The market analysis was provided by The Concord Group.

The Local Reviewing Agency, the Mayor's Office of Housing, has completed a site review of this project and supports this project.

Project Financing

Estimated Total Project Cost: $8,990,807 Per Unit Cost: $473,200 Construction Cost Per Sq. Foot: $361

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
CBRE	$4,575,000	CBRE	$4,575,000
W. Roess-DeCenzo	$1,842,603	CTCAC	$312,972
HCD Infill Grant	$800,000	HCD Infill Grant	$800,000
ARRA Funds	$312,972	Deferred Developer Fee	$517,700
Deferred Developer Fee	$517,700	HCD TOD Loan	$942,532
HCD TOD Loan	$942,532	Investor Equity	$1,842,603
		TOTAL	**$8,990,807**

Determination of Credit Amount(s)

Requested Eligible Basis:	$7,938,256
130% High Cost Adjustment:	No
Applicable Fraction:	100%
Qualified Basis:	$7,520,829
Applicable Rate:	3.50%
Total Maximum Annual Federal Credit:	$263,229
Approved Developer Fee:	$1,035,420
Investor:	W. Roess-DeCenzo
Tax Credit Factor:	$0.70

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 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 3.50% 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 Tax Credits/Annual	**State Tax Credits/Total**
$263,229	$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: None.

Project Analyst: Elaine Johnson