

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**December 14, 2011**

**Project Number** CA-2011-932

**Project Name** 1180 Fourth Street  
 Site Address: 1180 4th Street  
 San Francisco, CA 94158 County: San Francisco  
 Census Tract: 607.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$3,067,558	\$0
Recommended:	\$3,067,558	\$0

**Applicant Information**

Applicant: Mercy Housing California XLIV, a California Limited Partnership  
 Contact: Jennifer Dolin  
 Address: 1360 Mission Street, Suite 300  
 San Francisco, CA 94103  
 Phone: 415-355-7114 Fax: 415-355-7101  
 Email: jdolin@mercyhousing.org

General partner(s) or principal owner(s): Mercy Housing Calwest  
 General Partner Type: Nonprofit  
 Developer: Mercy Housing California  
 Investor/Consultant: California Housing Partnership Corporation  
 Management Agent: Mercy Housing Management Group

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 1  
 Total # of Units: 150  
 No. & % of Tax Credit Units: 149 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt  
 HCD MHP Funding: No  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 35% of area median income: 25  
 Number of Units @ or below 50% of area median income: 124

**Bond Information**

Issuer: City and County of San Francisco  
 Expected Date of Issuance: March 2012  
 Credit Enhancement: N/A

**Information**

Housing Type: Large Family  
 Geographic Area: San Francisco County  
 TCAC Project Analyst: Gina Ferguson

**Unit Mix**

42 1-Bedroom Units  
 54 2-Bedroom Units  
 54 3-Bedroom Units  


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 150 Total Units

<b>Unit Type &amp; Number</b>	<b>2011 Rents Targeted % of Area Median Income</b>	<b>2011 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
7 1 Bedroom	15%	9%	\$187
9 2 Bedrooms	15%	8%	\$199
9 3 Bedrooms	15%	8%	\$214
7 1 Bedroom	50%	50%	\$1,001
9 2 Bedrooms	50%	48%	\$1,143
9 3 Bedrooms	50%	46%	\$1,270
28 1 Bedroom	50%	50%	\$1,001
36 2 Bedrooms	50%	50%	\$1,202
35 3 Bedrooms	50%	50%	\$1,388
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Financing**

Estimated Total Project Cost: \$74,047,276

**Residential**

Construction Cost Per Square Foot: \$277  
 Per Unit Cost: \$493,649

**Construction Financing**

**Permanent Financing**

<b>Source</b>	<b>Amount</b>	<b>Source</b>	<b>Amount</b>
Silicon Valley - Tax Exempt Bonds	\$48,155,000	Silicon Valley - Tax Exempt Bonds	\$3,851,000
SF Redevelopment Agency	\$20,915,074	SF Redevelopment Agency	\$25,820,692
Deferred Developer Fee	\$500,000	HCD Transit Oriented Development	\$12,300,000
Tax Credit Equity	\$3,048,121	AHP	\$1,000,000
		Deferred Developer Fee	\$500,000
		Tax Credit Equity	\$30,575,584
		<b>TOTAL</b>	<b>\$74,047,276</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$69,401,773
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$90,222,305
Applicable Rate:	3.40%
Total Maximum Annual Federal Credit:	\$3,067,558
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.99674

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:	\$69,401,773
Actual Eligible Basis:	\$69,401,773
Unadjusted Threshold Basis Limit:	\$56,857,680
Total Adjusted Threshold Basis Limit:	\$143,281,354

**Adjustments to Basis Limit:**

Required to Pay Prevailing Wages

Parking Beneath Residential Units

95% of Upper Floor Units are Elevator-Serviced

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 83%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 32%

**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 3.40% 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 project has an operating subsidy from the San Francisco Local Operating Subsidy Program (LOSP) for 25 of the tax credit units.

The cost of this project reflects architectural and engineering costs associated with its location in the Mission Bay area. Soil settlement issues require increased grading, foundation, and structural requirements and costs. Other atypical costs include dual plumbing in each bathroom which is necessary due to the municipal grey water system.

A waiver has been granted for the minimum construction standard of floor coverings (TCAC Regulation Section 10325(f)(7)(G)).

**Local Reviewing Agency:**

The Local Reviewing Agency, San Francisco Mayor's Office of Housing, 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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$3,067,558</b>	<b>\$0</b>

**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 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 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:** The applicant/owner is required to provide the tenants with the following service amenity free of charge for a minimum of ten (10) years in accordance with the bond allocation from CDLAC. Services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC:

- Bona fide service coordinator