

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**2012 First Round**  
**July 11, 2012**

**Project Number** CA-12-004

**Project Name** Franciscan Towers  
Site Address: 217 Eddy Street  
San Francisco, CA 94102 County: San Francisco  
Census Tract: 125.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,937,000	\$0
Recommended:	\$1,937,000	\$0

**Applicant Information**

Applicant: Franciscan Towers Associates, L.P.  
Contact: Donald S. Falk  
Address: 201 Eddy Street  
San Francisco, CA 94102  
Phone: 415-776-2151 Fax: 415-776-3952  
Email: dfalk@tndc.org

General partner(s) or principal owner(s): Franciscan Towers GP LLC  
General Partner Type: Nonprofit  
Developer: Tenderloin Neighborhood Development Corporation  
Consultant: California Housing Partnership Corporation  
Management Agent: Tenderloin Neighborhood Development Corporation

**Project Information**

Construction Type: Rehabilitation Only  
Total # Residential Buildings: 1  
Total # of Units: 105  
No. & % of Tax Credit Units: 104 100%  
Federal Set-Aside Elected: 40%/60%  
Federal Subsidy: HOME / CDBG / HUD Shelter Plus Care (35 units / 33%)  
Average Targeted Affordability of Special Needs/SRO Project Units: 40.00%  
Affordability Breakdown by Units and % (Lowest Income Points):  
30% AMI: 35 30 %  
40% AMI: 34 30 %  
50% AMI: 35 30 %

**Information**

Set-Aside: N/A  
 Housing Type: Single Room Occupancy  
 Geographic Area: San Francisco County  
 TCAC Project Analyst: Jack Waegell

**Unit Mix**

94 SRO/Studio Units  
 11 1-Bedroom Units  


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 105 Total Units

<u>Unit Type &amp; Number</u>	<u>2012 Rents Targeted % of Area Median Income</u>	<u>2012 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
16 SRO/Studio	30%	6%	\$117
16 SRO/Studio	30%	7%	\$144
3 1 Bedroom	30%	7%	\$144
34 SRO/Studio	40%	38%	\$738
25 SRO/Studio	50%	42%	\$825
3 SRO/Studio	50%	42%	\$825
7 1 Bedroom	50%	43%	\$884
1 1 Bedroom	Manager's Unit	Manager's Unit	0

**Project Financing**

Estimated Total Project Cost: \$32,599,802  
 Estimated Residential Project Cost: \$28,818,521  
 Estimated Commercial Project Cost \$3,781,281

**Residential**

Construction Cost Per Square Foot: \$281  
 Per Unit Cost: \$274,462

**Construction Financing**

<u>Source</u>	<u>Amount</u>
Silicon Valley Bank	\$15,932,418
General Partner Loan	\$4,500,000
Existing Replacement Reserve	\$179,461
SFMOH - Assumed CHPR-CDBG Loan	\$457,657
SF RDA - Assumed CTIHF	\$405,220
SFMOH - Assumed CDBG	\$2,512,360
SFMOH - Assumed HOME	\$2,891,141
SFMOH - Assumed CDBG	\$1,060,333
Accrued/Deferred Interest	\$240,132
NeighborWorks America Grant	\$175,000
Tax Credit Equity	\$1,873,850

**Permanent Financing**

<u>Source</u>	<u>Amount</u>
General Partner Loan	\$4,500,000
Existing Replacement Reserve	\$179,461
SFMOH - Assumed CHPR-CDBG Loan	\$457,657
SF RDA - Assumed CTIHF	\$405,220
SFMOH - Assumed CDBG	\$2,512,360
SFMOH - Assumed HOME	\$2,891,141
SFMOH - Assumed CDBG	\$1,060,333
Accrued/Deferred Interest	\$240,132
NeighborWorks America Grant	\$175,000
Tax Credit Equity	\$20,178,498
<b>TOTAL</b>	<b>\$32,599,802</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$16,555,553
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$21,522,219
Applicable Rate:	9%
Total Maximum Annual Federal Credit:	\$1,937,000
Approved Developer Fee in Project Cost:	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$1.04174

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:	\$16,555,553
Actual Eligible Basis:	\$18,556,883
Unadjusted Threshold Basis Limit:	\$25,957,014
Total Adjusted Threshold Basis Limit:	\$33,744,118

**Adjustments to Basis Limit:**

Required to Pay Prevailing Wages  
95% of Upper Floor Units are Elevator-Serviced

**Tie-Breaker Information**

First:	<b>Single Room Occupancy</b>
Second:	<b>23.618%</b>

**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 9.00% 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 a HUD Shelter Plus Care subsidy through the San Francisco Human Services Agency (HSA) for 35 units consisting of 16 studio units and 19 one-bedroom units on an annual renewal basis. In addition, HSA has provided a 3-year renewable support services contract.

This rehabilitation project has received waivers for several of the minimum construction standards under regulation sections 10325(f)(7)(C), (D), (F), & (H) as follows: (C) Landscaping is waived as the project is a zero lot-line building; (D) Roof requirements are waived as the roof was replaced in 2011 following a fire. The rehabilitation work will require minor roof modifications which will not allow the project to obtain the contractor guarantee or warranty on the roof; (F) Not all appliances will be replaced as part of the rehabilitation. Appliances that are replaced will meet the requirement of the regulation; (H) The water heating is provided by a central system and not individual water heaters.

**Legal Status:** Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

**Local Reviewing Agency:**

The Local Reviewing Agency, the 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>\$1,937,000</b>	<b>\$0</b>

**Standard Conditions**

The applicant must submit all documentation required for a Carryover Allocation, any Readiness to Proceed Requirements elected, and a Final Reservation. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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 performance deposit and 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.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of ten years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(6) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

**Additional Conditions:** The project is required under regulation section 10325(g)(3)(G) to provide adequate laundry facilities with no fewer than one washer and one dryer for every 15 units in the project.

<b>Points System</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Cost Efficiency / Credit Reduction / Public Funds</b>	<b>20</b>	<b>20</b>	<b>20</b>
Cost Efficiency	20	12	12
Public Funds	20	8	8
<b>Owner / Management Characteristics</b>	<b>9</b>	<b>9</b>	<b>9</b>
General Partner Experience	6	6	6
Management Experience	3	3	3
<b>Housing Needs</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Site Amenities</b>	<b>15</b>	<b>15</b>	<b>15</b>
Within ¼ mile of transit stop, service every 30 min, 25 units/acre density	7	7	7
Within ¼ mile of public park or community center open to general public	3	3	3
Within ½ mile of public library	2	2	2
Within ¼ mile of a neighborhood market of at least 5,000 sf	4	4	4
Special Needs/SRO project within ½ mile of facility serving tenant pop.	3	3	3
Within ½ mile of medical clinic or hospital	3	3	3
Within ¼ mile of a pharmacy	2	2	2
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>5</b>
<b>SRO HOUSING TYPE</b>			
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 360 bdrms	5	5	5
After school program for school age children, minimum of 10 hours/week	5	5	0
<b>Sustainable Building Methods</b>	<b>10</b>	<b>3</b>	<b>3</b>
<b>REHABILITATION</b>			
Rehabilitate to improve energy efficiency (change in HERS II rating): 15%	3	3	3
<b>Lowest Income</b>	<b>52</b>	<b>52</b>	<b>52</b>
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b>	<b>20</b>	<b>15</b>	<b>15</b>
<b>Miscellaneous Federal and State Policies</b>	<b>2</b>	<b>2</b>	<b>2</b>
Qualified Census Tract	2	2	2
<b>Total Points</b>	<b>148</b>	<b>136</b>	<b>131</b>

**Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.**

**DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.**