

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project**

May 21, 2014

REVISED

Project Number CA-14-852

Project Name Hunters View Phase IIa
Site Address: 112 Middle Point Road
San Francisco, CA 94104 County: San Francisco
Census Tract: 231.030

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$3,086,556	\$0
Recommended:	\$3,086,556	\$0

Applicant Information

Applicant: HV Partners 2, LP
Contact: Jack D. Gardner
Address: 1388 Sutter Street, 11th Floor
San Francisco, CA 94109
Phone: 415-345-4400 **Fax:** 415-614-9175
Email: jgardner@jsco.net

General Partner(s) or Principal Owner(s): Hunters Point Affordable Housing, Inc.
JSCo Hunters View 2 LLC
Devine & Gong, Inc.

General Partner Type: Joint Venture

Parent Company(ies): Ridgepoint Non-Profit Housing
The John Stewart Company
Devine & Gong, Inc.

Developer: HV Partners 2, LP

Investor/Consultant: Wells Fargo

Management Agent: The John Stewart Company

Project Information

Construction Type: New Construction / Reconstruction

Total # Residential Buildings: 6

Total # of Units: 107

No. & % of Tax Credit Units: 105 99.06%

Federal Set-Aside Elected: 40%/60%

Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (24% - 26 units) /
HUD Annual Contributions Contract (50% - 54 units)

HCD MHP Funding: Yes

55-Year Use/Affordability: Yes

Number of Units @ or below 35% of area median income: 47

Number of Units @ or below 50% of area median income: 58

Bond Information

Issuer: City and County of San Francisco
 Expected Date of Issuance: August 15, 2014
 Credit Enhancement: N/A

Information

Housing Type: Non-Targeted
 Geographic Area: San Francisco County
 TCAC Project Analyst: Connie Harina

Unit Mix

30 1-Bedroom Units
 32 2-Bedroom Units
 36 3-Bedroom Units
 8 4-Bedroom Units
 1 5-Bedroom Units

 107 Total Units

<u>Unit Type & Number</u>	<u>2014 Rents Targeted % of Area Median Income</u>	<u>2014 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
11 1 Bedroom	25%	13%	\$260
3 1 Bedroom	40%	13%	\$260
2 1 Bedroom	40%	40%	\$830
6 1 Bedroom	45%	45%	\$934
8 1 Bedroom	45%	45%	\$934
13 2 Bedrooms	25%	10%	\$260
1 2 Bedrooms	40%	10%	\$260
1 2 Bedrooms	45%	10%	\$260
6 2 Bedrooms	40%	40%	\$997
1 2 Bedrooms	45%	44%	\$1,093
8 2 Bedrooms	45%	44%	\$1,093
18 3 Bedrooms	25%	9%	\$260
1 3 Bedrooms	40%	9%	\$260
8 3 Bedrooms	40%	40%	\$1,151
1 3 Bedrooms	45%	42%	\$1,214
8 3 Bedrooms	45%	42%	\$1,214
4 4 Bedrooms	25%	8%	\$260
2 4 Bedrooms	40%	40%	\$1,285
2 4 Bedrooms	45%	41%	\$1,311
1 5 Bedrooms	25%	7%	\$260
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0
1 2 Bedrooms	Market Rate Unit	Market Rate Unit	\$181

Project Financing

Estimated Total Project Cost:	\$78,127,442
Estimated Residential Project Cost:	\$78,127,442

Residential

Construction Cost Per Square Foot:	\$355
Per Unit Cost:	\$559,124*

Construction Financing

Source	Amount
Citibank	\$41,000,000
HCD Infill Infrastructure Grant	\$8,088,380
OCII ¹	\$19,334,197
S.F. Mayor's Office of Housing	\$1,905,056
Dept. of Public Works Streets Bonds	\$4,916,500
County Transportation Agency Prop AA	\$1,141,599
S.F. Housing Authority	\$211,610
S.F. Housing Authority - Land	\$100,000
General Partner Capital	\$100
Tax Credit Equity	\$1,430,000

Permanent Financing

Source	Amount
HCD MHP	\$10,000,000
HCD Infill Infrastructure Grant	\$8,088,380
OCII ¹	\$21,775,220
S.F. Mayor's Office of Housing	\$1,905,056
Dept. of Public Works Streets Bonds	\$4,916,500
County Transportation Agency Prop AA	\$1,141,599
S.F. Housing Authority	\$211,610
S.F. Housing Authority - Land	\$100,000
General Partner Capital	\$100
Tax Credit Equity	\$29,988,977
TOTAL	\$78,127,442

¹OCII: Office of Community Investment and Infrastructure

Determination of Credit Amount(s)

Requested Eligible Basis:	\$71,835,099
130% High Cost Adjustment:	Yes
Applicable Fraction:	99.06%
Qualified Basis:	\$92,504,632
Applicable Rate:	3.36%
Total Maximum Annual Federal Credit:	\$3,086,556
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,200,000
Investor/Consultant:	Wells Fargo
Federal Tax Credit Factor:	\$0.97160

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.

*See "Special Issues/Other Significant Information" section on Page 4.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis: \$71,835,099
Actual Eligible Basis: \$71,835,099
Unadjusted Threshold Basis Limit: \$49,370,306
Total Adjusted Threshold Basis Limit: \$129,350,202

Adjustments to Basis Limit:

Required to Pay Prevailing Wages
55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 55%
55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 88%

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 3.36% 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 per unit cost of \$730,163 represents the development including public infrastructure costs totaling \$171,038 per unit. Without consideration of these infrastructure costs, the per unit cost for the residential project is \$559,124. In order to build new housing on the site, all of the site infrastructure must be replaced. The infrastructure scope includes mass grading and soil off haul to build the new roads, sidewalks, curbs, utilities and a small park, plus grading for buildable housing pads. These procedures, heavily regulated by the Bay Area Air Quality Management District and the Department of Public Health, also include daily construction monitoring and extensive reporting required for mass grading and any soil disturbing activities taking place on site.

Local Reviewing Agency:

The Local Reviewing Agency, the San Francisco Mayor's Office of Housing and Community Development, 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:

Federal Tax Credits/Annual	State Tax Credits/Total
\$3,086,556	\$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 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 reservation 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: None