CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
August 19, 2015

939 & 951 Eddy Street Apartments, located at 939 & 951 Eddy Street in San Francisco, requested and is being recommended for a reservation of $811,373 in annual federal tax credits to finance the acquisition and rehabilitation of 61 units of housing serving tenants with rents affordable to households earning 50% of area median income (AMI). The project will be developed by Tenderloin Neighborhood Development Corporation and will be located in Senate District 11 and Assembly District 17.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers and HUD (RAD) Project-based Contract.

Project Number	CA-15-879		
Project Name	939 & 951 Eddy Street		
Site Address:	939-951 Eddy Street		
	San Francisco, CA 94109	County:	San Francisco
Census Tract:	160.000		

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$811,373	$0
Recommended:	$811,373	$0

Applicant Information

Applicant:	939 & 951 Eddy Associates, L.P.		
Contact:	Donald S. Falk		
Address:	215 Taylor Street		
	San Francisco, CA 94102		
Phone:	(415) 358 3923	Fax:	(415) 776 3952
Email:	dfalk@tndc.org		

General Partner(s) or Principal Owner(s):	939 & 951 Eddy GP LLC
General Partner Type:	Nonprofit
Parent Company(ies):	Tenderloin Neighborhood Development Corporation
Developer:	Tenderloin Neighborhood Development Corporation
Management Agent:	Tenderloin Neighborhood Development Corporation

Project Information

Construction Type:	Acquisition and Rehabilitation
Total # Residential Buildings:	2
Total # of Units:	62
No. & % of Tax Credit Units:	61 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Vouchers (25 units - 41%) / HUD (RAD) Project-based Contract (36 units - 59%)
HCD MHP Funding:	No
55-Year Use/Affordability:	Yes

Number of Units @ or below 50% of area median income: 61

Bond Information

Issuer:	San Francisco Mayor's Office of Housing & Community Development
Expected Date of Issuance:	October 1, 2015
Credit Enhancement:	N/A

Information

Housing Type:	Non-Targeted
Geographic Area:	San Francisco County
TCAC Project Analyst:	Jack Waegell

Unit Mix

36	SRO/Studio Units
1	1-Bedroom Units
22	2-Bedroom Units
3	3-Bedroom Units
62	Total Units

Unit Type & Number		2015 Rents Targeted % of Area Median Income	2015 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
27	SRO/Studio	50%	34%	$702
9	2 Bedrooms	50%	41%	$1,080
9	SRO/Studio	50%	41%	$850
1	1 Bedroom	50%	44%	$972
12	2 Bedrooms	50%	41%	$1,093
3	3 Bedrooms	50%	40%	$1,214
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$8,078,000
Rehabilitation Costs	$6,669,690
Construction Contingency	$1,217,069
Relocation	$798,941
Architectural/Engineering	$994,920
Construction Interest, Perm Financing	$1,015,525
Legal Fees, Appraisals	$114,500
Reserves	$818,963
Other Costs	$881,328
Developer Fee	$2,500,000
Commercial Costs	$0
Total	**$23,088,936**

Project Financing

Estimated Total Project Cost:	$23,088,936
Estimated Residential Project Cost:	$23,088,936

Residential

Construction Cost Per Square Foot:	$158
Per Unit Cost:	$372,402

Construction Financing

Source	Amount
Bank of America	$13,265,000
SF MOHCD Predev/Perm Loan	$1,143,016
Seller Carryback Note*	$6,573,620
Accrued/deferred Interest*	$246,511
Costs Deferred Until Conversion	$1,465,852
Tax Credit Equity	$394,937

Permanent Financing

Source	Amount
Bank of America	$1,917,000
SF MOHCD Predev/Perm Loan	$1,143,016
SF MOHCD Gap Loan	$2,310,038
SFHA Permanent Loan	$600,000
Seller Carryback Note*	$6,573,620
Accrued/deferred Interest*	$246,511
General Partner Capital Contributi	$500,000
Tax Credit Equity	$9,798,751
TOTAL	**$23,088,936**

*Seller carryback note and accrued deferred interest are held by San Francisco Housing Authority

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$12,183,122
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$8,749,001
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$15,838,059
Qualified Basis (Acquisition):	$8,749,001
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	$522,656
Maximum Annual Federal Credit, Acquisition:	$288,717
Total Maximum Annual Federal Credit:	$811,373
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,500,000
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	$1.20768

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:	$20,932,123
Actual Eligible Basis:	$20,932,123
Unadjusted Threshold Basis Limit:	$22,660,861
Total Adjusted Threshold Basis Limit:	$45,321,722

Adjustments to Basis Limit:

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 100%

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 3.30% 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 applicant has requested and has been granted a waiver to the 10% post-rehabilitation improvement over existing conditions requirement under TCAC Regulation Section 10325(f)(7)(A) down to an aggregate of 6.5% for the project.

The applicant has requested and been granted a waiver to reduce the 10% mobility feature requirement under TCAC Regulation Section 10325(f)(7)(K) down to 8%.

The applicant has requested and been granted a waiver to substitute in vinyl plank flooring material, with a faux wood finish flooring for the minimum construction standard of floor coverings under TCAC Regulation Section 10325(f)(7)(G). Vinyl sheetgoods flooring with rubber cove base will be utilized in the unit kitchen and bathrooms.

Local Reviewing Agency:

The Local Reviewing Agency, 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
$811,373	**$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.