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

Robert Pitts, located at 1150 Scott Street in San Francisco, CA, requested and is being recommended for a reservation of $2,833,870 in annual federal tax credits to finance the acquisition and rehabilitation of 196 units of housing serving tenants with rents affordable to households earning 50% of area median income (AMI). The project will be developed by Related Development Company of California 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 Vouchers.

Project Number CA-15-881

Project Name Robert Pitts Housing

Site Address:	1150 Scott Street	
	San Francisco, CA 94115	County: San Francisco
Census Tract:	158.010	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$2,833,870	$0
Recommended:	$2,833,870	$0

Applicant Information

Applicant:	Robert Pitts Housing Partners, LP		
Contact:	Frank Cardone		
Address:	18201 Von Karman Ave, Suite 900		
	Irvine, CA 92612		
Phone:	949-660-7272	Fax:	949-660-7273
Email:	fcardone@related.com		

General Partner(s) or Principal Owner(s):	Related / Robert Pitts Development Co., LLC
	Tabernacle Community Development Co.
General Partner Type:	Joint Venture
Parent Company(ies):	The Related Companies of California
	Tabernacle Community Development Co.
Developer:	Related Development Company of California
Investor/Consultant:	Bank of America
Management Agent:	Related Management Company

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	37
Total # of Units:	201
No. & % of Tax Credit Units:	196 98.49%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax Exempt/HUD Section 8 Project-Based Vouchers (127 Units - 64%) HUD (RAD) Project-Based Vouchers (72 Units - 36%)
HCD MHP Funding:	No
55-Year Use/Affordability:	Yes

Number of Units @ or below 50% of area median income: 196

Bond Information

Issuer:	City of San Francisco
Expected Date of Issuance:	October 1, 2015
Credit Enhancement:	No

Information

Housing Type:	Non-Targeted
Geographic Area:	San Francisco County
TCAC Project Analyst:	DC Navarrette

Unit Mix

77	2-Bedroom Units
112	3-Bedroom Units
12	4-Bedroom Units
201	Total Units

Unit Type & Number		2015 Rents Targeted % of Area Median Income	2015 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
58	2 Bedrooms	50%	23%	$594
66	3 Bedrooms	50%	26%	$794
16	2 Bedrooms	50%	41%	$1,093
44	3 Bedrooms	50%	40%	$1,214
12	4 Bedrooms	50%	39%	$1,311
2	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0
1	2 Bedrooms	Market Rate Unit	Market Rate Unit	$594
2	3 Bedrooms	Market Rate Unit	Market Rate Unit	$794

Project Cost Summary at Application

Land and Acquisition	$36,284,000
Construction Costs	$0
Rehabilitation Costs	$29,119,834
Construction Contingency	$5,220,558
Relocation	$1,558,869
Architectural/Engineering	$787,025
Construction Interest, Perm Financing	$3,787,201
Legal Fees, Appraisals	$155,000
Reserves	$2,912,993
Other Costs	$1,729,374
Developer Fee	$2,500,000
Commercial Costs	$0
Total	**$84,054,854**

Project Financing

Estimated Total Project Cost:	$84,054,854
Estimated Residential Project Cost:	$84,054,854

Residential

Construction Cost Per Square Foot:	$138
Per Unit Cost:	$418,183

Construction Financing

Source	Amount
Bank of America	$48,768,000
Seller Carryback Note*	$31,287,943
Accrued/Deferred Interest*	$1,303,664
Costs Deferred Until Conversion	$1,069,585
Tax Credit Equity	$1,625,662

Permanent Financing

Source	Amount
Bank of America	$16,493,000
Seller Carryback Note*	$31,287,943
Accrued/Deferred Interest*	$1,303,664
General Partner Capital Contribution	$500,000
Tax Credit Equity	$34,470,247
TOTAL	**$84,054,854**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$40,347,327
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$34,737,814
Applicable Fraction:	98.49%
Qualified Basis (Rehabilitation):	$51,660,799
Qualified Basis (Acquisition):	$34,214,128
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	$1,704,804
Maximum Annual Federal Credit, Acquisition:	$1,129,066
Total Maximum Annual Federal Credit:	$2,833,870
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,500,000
Investor/Consultant:	Bank of America
Federal Tax Credit Factor:	$1.21637

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:	$75,085,141
Actual Eligible Basis:	$75,085,141
Unadjusted Threshold Basis Limit:	$102,397,924
Total Adjusted Threshold Basis Limit:	$202,747,890

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: 98%

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 proposed rent does not include any utility allowance. The owner will pay for all utilities.

The applicant requested and has been granted a waiver to substitute carpet, vinyl sheet flooring, and luxury vinyl tile plank flooring for the minimum construction standard of flooring coverings under TCAC Regulation Section 10325(f)(7)(G).

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 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
$2,833,870	**$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: The applicant/owner is required to complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The project commits to improve energy efficiency above the modeled energy consumption of the building(s) by a 15% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERSII) post rehabilitation.