CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 18, 2016

Westbrook Apartments, located at 90 Kiska Road in San Francisco, requested and is being recommended for a reservation of $4,893,243 in annual federal tax credits to finance the acquisition and rehabilitation of 217 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 is 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-16-838

Project Name Westbrook Apartments
Site Address: 90 Kiska Road
San Francisco, CA 94124 County: San Francisco
Census Tract: 231.030

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$4,893,243	$0
Recommended:	$4,893,243	$0

Applicant Information
Applicant: Westbrook 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 / Westbrook Development Co., LLC San Francisco Housing Development Corp. JSCo Westbrook, LLC
General Partner Type:	Joint Venture
Parent Company(ies):	The Related Companies of California San Francisco Housing Development Corp. John Stewart Company & Hunters Point Affordable Housing, Inc.
Developer:	Related Development Company of California
Investor/Consultant:	Bank of America
Management Agent:	John Stewart Management Company

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 37
Total # of Units: 223
No. & % of Tax Credit Units: 217 98.19%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (84 units - 38%) / HUD RAD Project-based Voucher (137 units - 62%)
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 217

Bond Information

Issuer: City of San Francisco
Expected Date of Issuance: September 15, 2016
Credit Enhancement: N/A

Information

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

Unit Mix

4	1-Bedroom Units
60	2-Bedroom Units
115	3-Bedroom Units
33	4-Bedroom Units
11	5-Bedroom Units
223	Total Units

Unit Type & Number		2015 Rents Targeted % of Area Median Income	2015 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
4	1 Bedroom	50%	27%	$588
49	2 Bedrooms	50%	28%	$736
66	3 Bedrooms	50%	32%	$982
14	4 Bedrooms	50%	31%	$1,038
6	2 Bedrooms	50%	44%	$1,147
48	3 Bedrooms	50%	42%	$1,274
19	4 Bedrooms	50%	40%	$1,376
11	5 Bedrooms	50%	39%	$1,478
2	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0
3	2 Bedrooms	Market Rate Unit	Market Rate Unit	$648
1	3 Bedrooms	Market Rate Unit	Market Rate Unit	$870

Project Cost Summary at Application

Land and Acquisition	$47,569,500
Construction Costs	$0
Rehabilitation Costs	$56,611,773
Construction Contingency	$11,322,355
Relocation	$2,467,756
Architectural/Engineering	$1,857,048
Construction Interest, Perm Financing	$8,145,921
Legal Fees, Appraisals	$120,000
Reserves	$4,246,923
Other Costs	$5,374,400
Developer Fee	$6,000,000
Commercial Costs	$0
Total	**$143,715,676**

Project Financing

Estimated Total Project Cost:	$143,715,676
Estimated Residential Project Cost:	$143,715,676
Estimated Commercial Project Cost:	$0

Residential

Construction Cost Per Square Foot:	$242
Per Unit Cost:	$644,465
Effective Per Unit Cost:	$423,882

Construction Financing

Source	Amount
Bank of America - TE Loan	$87,459,000
SFHA Seller Carryback	$46,380,000
Accrued / Deferred Interest	$2,531,575
SF MOHCD Predev/Perm Loan	$559,401
Deferred Developer Fee	$2,810,000
Tax Credit Equity	$2,984,580

Permanent Financing

Source	Amount
Bank of America - TE Loan	$26,123,000
SFHA Seller Carryback	$46,380,000
Accrued / Deferred Interest	$2,531,575
SF MOHCD Predev/Perm Loan	$559,401
SF MOHCD Gap Loan	$5,750,000
General Partner Equity	$100
Deferred Developer Fee	$2,810,000
Tax Credit Equity	$59,561,600
TOTAL	**$143,715,676**

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$84,329,988
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$43,707,679
Applicable Fraction:	98.19%
Qualified Basis (Rehabilitation):	$107,644,749
Qualified Basis (Acquisition):	$42,916,590
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$3,498,454
Maximum Annual Federal Credit, Acquisition:	$1,394,789
Total Maximum Annual Federal Credit:	$4,893,243
Approved Developer Fee (in Project Cost & Eligible Basis):	$6,000,000
Investor/Consultant:	Bank of America
Federal Tax Credit Factor:	$1.21722

Per Regulation Section 10322(h)(9)(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:	$128,037,667
Actual Eligible Basis:	$128,037,667
Unadjusted Threshold Basis Limit:	$120,890,208
Total Adjusted Threshold Basis Limit:	$239,362,612

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 3.25% 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 estimated cost of the project is $644,465 per unit. This relatively high cost compared to most other areas of California is due in part to the high cost of construction in San Francisco which has been experiencing an escalation of construction costs as high as 10-12% annually, the project's rental subsidies supporting a strong property value and cost, relocation expenses, the extensive rehabilitation required at the project in order to meet the HUD requirements for properties converting from public housing, and additional contracting requirements from the RAD program, San Francisco Housing Authority policies, and the City of San Francisco, as well as other factors typical of buildings that are nearly 60 years old.

The applicant requested, and has been granted a waiver by TCAC, to reduce the 10% mobility feature requirement under TCAC Regulation Section 10325(f)(7)(K), down to 5.3% (12 units).

The project will have 4 non-tax credit units resulting in an applicable fraction for the project of 98%. The 4 households occupying these units have incomes that exceed the 60% AMI. Under the project's regulatory agreement with the City of San Francisco, upon turnover, these unitswill be required to be rented to households meeting the 50% AMI limit.

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
$4,893,243	**$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.