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

Rosa Parks, located at 1251 Turk Street in San Francisco, requested and is being recommended for a reservation of $3,741,169 in annual federal tax credits to finance the acquisition and rehabilitation of 202 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 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-16-840

**Project Name** Rosa Parks
Site Address: 1251 Turk Street
San Francisco, CA 94115 County: San Francisco
Census Tract: 0161.00

| **Tax Credit Amounts** | **Federal/Annual** | **State/Total** |
|---|---|---|
| Requested: | $3,741,169 | $0 |
| Recommended: | $3,741,169 | $0 |

**Applicant Information**
Applicant: RP Associates, L.P.
Contact: Donald S. Falk
Address: 201 Eddy Street
San Francisco, CA 94102
Phone: (415) 358-3923
Email: dfalk@tndc.org

General Partner(s) or Principal Owner(s): RP GP LLC
General Partner Type: Nonprofit
Parent Company(ies): Tenderloin Neighborhood Development Corporation
Developer: Tenderloin Neighborhood Development Corporation
Investor/Consultant: California Housing Partnership Corporation
Management Agent: Tenderloin Neighborhood Development Corporation

**Project Information**

| | |
|---|---|
| Construction Type: | Acquisition & Rehabilitation |
| Total # Residential Buildings: | 1 |
| Total # of Units: | 203 |
| No. & % of Tax Credit Units: | 202 100.00% |
| Federal Set-Aside Elected: | 40%/60% |
| Federal Subsidy: | Tax-Exempt/HUD Section 8 Project-based Vouchers (101 units - 50%)/ HUD RAD Project-based Vouchers (101 units - 50%) |
| HCD MHP Funding: | No |
| 55-Year Use/Affordability: | Yes |

Number of Units @ or below 50% of area median income: 202

**Bond Information**

| | |
|---|---|
| Issuer: | City and County 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: | Connie Harina |

**Unit Mix**

| | |
|---|---|
| 19 | SRO/Studio Units |
| 101 | 1-Bedroom Units |
| 83 | 2-Bedroom Units |
| 203 | Total Units |

| Unit Type & Number | | 2015 Rents Targeted % of Area Median Income | 2015 Rents Actual % of Area Median Income | Proposed Rent (including utilities) |
|---|---|---|---|---|
| 19 | SRO/Studio | 50% | 28% | $565 |
| 48 | 1 Bedroom | 50% | 32% | $695 |
| 52 | 1 Bedroom | 50% | 46% | $1,019 |
| 34 | 2 Bedrooms | 50% | 33% | $870 |
| 49 | 2 Bedrooms | 50% | 43% | $1,146 |
| 1 | 1 Bedroom | Manager’s Unit | Manager’s Unit | $0 |

See "Special Issues/Other Significant Information" below for additional managers unit information.

**Project Cost Summary at Application**

| | |
|---|---|
| Land and Acquisition | $34,106,875 |
| Construction Costs | $0 |
| Rehabilitation Costs | $38,161,853 |
| Construction Contingency | $7,600,385 |
| Relocation | $4,448,607 |
| Architectural/Engineering | $2,159,919 |
| Const. Interest, Perm Financing | $7,376,071 |
| Legal Fees, Appraisals | $130,000 |
| Reserves | $3,536,069 |
| Other Costs | $1,771,844 |
| Developer Fee | $6,000,000 |
| Commercial Costs | $0 |
| **Total** | **$105,291,623** |

**Project Financing**

| | |
|---|---|
| Estimated Total Project Cost: | $105,291,623 |
| Estimated Residential Project Cost: | $105,291,623 |
| Estimated Commercial Project Cost | $0 |

**Residential**

| | |
|---|---|
| Construction Cost Per Square Foot: | $323 |
| Per Unit Cost: | $518,678 |
| Effective Cost Per Unit: | $340,131 |

**Construction Financing**

| Source | Amount |
|---|---|
| Bank of America | $63,890,000 |
| SFHA Seller Carryback Loan | $33,275,000 |
| Accrued/Deferred Interest | $1,888,911 |
| Deferred Developer Fee | $2,970,000 |
| Tax Credit Equity | $2,281,885 |

**Permanent Financing**

| Source | Amount |
|---|---|
| Bank of America | $20,854,000 |
| SFHA Seller Carryback Loan | $33,275,000 |
| Accrued/Deferred Interest | $1,888,911 |
| SF MOHCD Gap Loan | $785,914 |
| Deferred Developer Fee | $2,970,000 |
| General Partner Equity | $100 |
| Tax Credit Equity | $45,517,698 |
| **TOTAL** | **$105,291,623** |

**Determination of Credit Amount(s)**

| | |
|---|---|
| Requested Eligible Basis (Rehabilitation): | $62,546,422 |
| 130% High Cost Adjustment: | Yes |
| Requested Eligible Basis (Acquisition): | $33,802,546 |
| Applicable Fraction: | 100.00% |
| Qualified Basis (Rehabilitation): | $81,310,349 |
| Qualified Basis (Acquisition): | $33,802,546 |
| Applicable Rate: | 3.25% |
| Maximum Annual Federal Credit, Rehabilitation: | $2,642,586 |
| Maximum Annual Federal Credit, Acquisition: | $1,098,583 |
| Total Maximum Annual Federal Credit: | $3,741,169 |
| Approved Developer Fee (in Project Cost & Eligible Basis): | $6,000,000 |
| Investor/Consultant: | California Housing Partnership Corporation |
| Federal Tax Credit Factor: | $1.21667 |

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: | $96,348,968 |
| Actual Eligible Basis: | $96,348,968 |
| Unadjusted Threshold Basis Limit: | $79,804,584 |
| Total Adjusted Threshold Basis Limit: | $159,609,168 |

**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 3.25% 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 proposed rent does not include a utility allowance. The owner will pay for all utilities.

Per TCAC Regulation Section 10325(f)(7)(J) the project has committed to employ an equivalent number of on-site full-time property management staff and provide an equivalent number of desk or security staff capable of responding to emergencies for the hours when property management staff is not working. All staff or contractors performing desk or security work shall be knowledgeable of how the property’s fire system operates and be trained in, and have participated in, fire evacuation drills for tenants. TCAC reserves the

right to require that one or more on-site managers’ units be provided and occupied by property management staff if, in its sole discretion, it determines as part of any on-site inspection that the project has not been

**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 |
|---|---|
| **$3,741,169** | **$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.