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

Ping Yuen, a scattered-site project located at 655, 711, 795, and 895 Pacific Avenue in San Francisco, requested and is being recommended for a reservation of $5,901,443 in annual federal tax credits to finance the acquisition and rehabilitation of 233 units of housing serving large families with rents affordable to households earning 50% of area median income (AMI). The project will be developed by Chinatown Community Development Center and is located in Senate District 17 and Assembly District 11.

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-16-852		
Project Name	Ping Yuen		
Site Address:	655, 711, 795, and 895 Pacific Avenue		
	San Francisco, CA 94133	County:	San Francisco
Census Tract:	061100 (655, 711, 795 Pacific Ave.) and 011300 (895 Pacific Ave.)		

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$5,901,443	$0
Recommended:	$5,901,443	$0

Applicant Information

Applicant:	Ping Yuen, L.P.		
Contact:	Whitney Jones		
Address:	1525 Grant Avenue		
	San Francisco, CA 94133		
Phone:	415-929-0757	Fax:	415-362-7992
Email:	wjones@chinatowncdc.org		

General Partner(s) or Principal Owner(s):	Chinatown Public Housing LLC
General Partner Type:	Nonprofit
Parent Company(ies):	Chinatown Community Development Center
Developer:	Chinatown Community Development Center
Investor/Consultant:	Bank of America Merill Lynch
Management Agent:	Chinatown Community Development Center

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	3
Total # of Units:	234
No. & % of Tax Credit Units:	233 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Vouchers (72 units - 31%) / HUD RAD Project-based Voucher (161 units - 69%)
HCD MHP Funding:	No
55-Year Use/Affordability:	Yes

Number of Units @ or below 50% of area median income: 233

Bond Information

Issuer:	San Francisco Mayor's Office of Housing
Expected Date of Issuance:	August 31, 2016
Credit Enhancement:	N/A

Information

Housing Type:	Large Family
Geographic Area:	San Francisco County
TCAC Project Analyst:	Jack Waegell

Unit Mix

46	1-Bedroom Units
92	2-Bedroom Units
75	3-Bedroom Units
21	4-Bedroom Units
234	Total Units

Unit Type & Number		2015 Rents Targeted % of Area Median Income	2015 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
41	1 Bedroom	50%	38%	$825
78	2 Bedrooms	50%	39%	$1,032
37	3 Bedrooms	50%	42%	$1,274
5	4 Bedrooms	50%	40%	$1,376
5	1 Bedroom	50%	46%	$1,019
13	2 Bedrooms	50%	43%	$1,147
38	3 Bedrooms	50%	42%	$1,274
16	4 Bedrooms	50%	40%	$1,376
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$70,022,280
Construction Costs	$0
Rehabilitation Costs	$52,610,674
Construction Contingency	$10,460,135
Relocation	$7,778,090
Architectural/Engineering	$3,491,190
Construction Interest, Perm Financing	$15,710,743
Legal Fees, Appraisals	$116,000
Reserves	$4,399,484
Other Costs	$2,593,202
Developer Fee	$6,000,000
Commercial Costs	$0
Total	**$173,181,798**

Project Financing

Estimated Total Project Cost:	$173,181,798
Estimated Residential Project Cost:	$173,181,798
Estimated Commercial Project Cost:	$0

Residential

Construction Cost Per Square Foot:	$235
Per Unit Cost:	$740,093
Effective Per Unit Cost:	$462,954

Construction Financing

Source	Amount
Construction Loan - Tax Exempt	$98,065,000
SFHA Seller Carryback	$62,160,000
Accrued/Deferred Interest	$5,835,788
Costs Deferred until Completion	$1,025,122
Deferred Developer Fee	$2,690,514
Tax Credit Equity	$3,405,375

Permanent Financing

Source	Amount
Permanent Loan - Tax Exempt A	$5,412,000
Permanent Loan - Tax Exempt B	$20,563,000
SFHA Seller Carryback	$62,160,000
Accrued/Deferred Interest	$5,835,788
SFHA Perm Loan	$6,000,000
SF MOHCD Gap Loan	$227,887
Deferred Developer Fee	$2,690,514
General Partner Equity	$100
Tax Credit Equity	$70,292,509
TOTAL	**$173,181,798**

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$89,938,143
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$64,663,251
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$116,919,586
Qualified Basis (Acquisition):	$64,663,251
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$3,799,887
Maximum Annual Federal Credit, Acquisition:	$2,101,556
Total Maximum Annual Federal Credit:	$5,901,443
Approved Developer Fee (in Project Cost & Eligible Basis):	$6,000,000
Investor/Consultant:	Bank of America Merill Lynch
Federal Tax Credit Factor:	$1.19111

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:	$154,601,394
Actual Eligible Basis:	$154,601,394
Unadjusted Threshold Basis Limit:	$113,289,802
Total Adjusted Threshold Basis Limit:	$226,579,604

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 estimated cost of the project is $740,093 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, the steep site location and limited on-site parking which adds to the complexity and cost of the construction, 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 over 50 years old.

This project consists of 3 scattered sites within close proximity of each other on Pacific Avenue. No site is further than 100 yards from the next closest site in this project. 655 Pacific Avenue (also know as Ping Yuen East) has 57 units, 711 & 795 Pacific Avenue (also known as Ping Yuen Center) has 117 units, and 895 Pacific Avenue (also known as Ping Yuen West) has 60 units.

The project will have 1 on-site manager's unit at either the 655 or 895 Pacific Avenue sited. The 795 Pacific Avenue site will have a property management office. During all hours when daytime property management staff are not working, two security staff will be on duty and capable of responding to emergencies in compliance with TCAC Regulation Section 10325(f)(7)(J).

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 5.9% (14 units).

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

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
$5,901,443	**$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.