

**CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Qualified Private Activity Tax-Exempt Bond Project
August 6, 2024**

Sutter Street, located at 1101-1123 Sutter Street in San Francisco on a 0.68 acre site, requested and is being recommended for a reservation of \$3,620,905 in annual federal tax credits and \$20,400,000 in total state tax credits and \$40,195,709 of tax-exempt bond cap to finance the new construction of 102 units of housing, consisting of 101 restricted rental units, and 1 unrestricted manager's unit. The project will have 8 studio units, 9 one-bedroom units, 43 two-bedroom units, 31 three-bedroom units, and 11 four-bedroom units, serving tenants with rents affordable to households earning 30%-70% of area median income (AMI). The proposed project will be a Type I construction structure. It will be a 14-story building serviced by one elevator with a steel frame structure on a concrete slab foundation with a flat roof. Common amenities will include bike storage, a business center, a clubhouse, concierge, a courtyard, electric vehicle charging stations, a fitness center, hot tub, intercom (buzzer), a library, limited access, on-site management, perimeter fencing, a pet park, picnic areas, a playground, recreational areas, a rooftop deck, a theatre, video surveillance, and common area Wi-Fi. The project does not include any resident parking. Each unit will include balconies/patios, blinds, carpeting, ceiling fans, central air conditioning, coat closets, dishwashers, disposals, exterior storage, grab bars, microwaves, ovens, refrigerators, tile flooring, and walk-in closets. The construction is expected to begin in February 2025 and be completed in August 2026. The project will be developed by Martin McNerney Development, Inc. and will be located in Senate District 11 and Assembly District 17.

The project financing includes state funding from the Mixed-Income Program (MIP) through CalHFA.

Project Number CA-24-494

Project Name Sutter Street
Site Address: 1101-1123 Sutter Street
San Francisco, CA 94109

County: San Francisco
Census Tract: 120.02

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$3,620,905	\$20,400,000
Recommended:	\$3,620,905	\$20,400,000

* The applicant made an election to sell (Certificate) all or any portion of the state credits.

Tax-Exempt Bond Allocation
Recommended: \$40,195,709

CTCAC Applicant Information

CTCAC Applicant/CDLAC Sponsor: Kingdom Development, Inc.
Contact: William Leach
Address: 6451 Box Springs Blvd.
Riverside, CA 92507

Phone: 951-538-6244
Email: william@kingdomdevelopment.net

Bond Financing Information

CDLAC Applicant/Bond Issuer:	California Housing Finance Agency
Bond Counsel:	Orrick, Herrington & Sutcliffe LLP
Private Placement Purchaser:	Citibank, N.A.

Development Team

General Partner(s) or Principal Owner(s):	Martin McNerney Development, Inc. Kingdom AK, LLC
General Partner Type:	Joint Venture
Parent Company(ies):	Martin McNerney Development, Inc. Kingdom Development Inc.
Developer:	Martin McNerney Development, Inc.
Investor/Consultant:	Boston Financial
Management Agent:	Greystar

Project Information

Construction Type:	New Construction	
Total # Residential Buildings:	1	
Total # of Units:	102	
No. / % of Low Income Units:	101	100.00%
Average Targeted Affordability:	49.57%	
Federal Set-Aside Elected:	40%/60% Average Income	
Federal Subsidy:	Tax-Exempt	

Information

Housing Type:	Non-Targeted
Geographic Area:	San Francisco County
State Ceiling Pool:	New Construction
Set Aside:	Mixed Income Set Aside
CDLAC Project Analyst:	Sarah Lester
CTCAC Project Analyst:	Chris Saenz

55-Year Use / Affordability

Aggregate Targeting	Number of Units	Percentage of Affordable Units
30% AMI:	11	11%
50% AMI:	79	78%
70% AMI*:	11	11%

*CTCAC restricted only

Unit Mix

8 SRO/Studio Units
9 1-Bedroom Units
43 2-Bedroom Units
31 3-Bedroom Units
11 4-Bedroom Units
<hr/> 102 Total Units

<u>Unit Type & Number</u>	<u>2023 Rents Targeted % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 SRO/Studio	50%	\$1,261
1 1 Bedroom	50%	\$1,441
2 2 Bedrooms	50%	\$1,621
7 SRO/Studio	50%	\$1,626
7 1 Bedroom	50%	\$1,742
20 2 Bedrooms	50%	\$2,091
5 2 Bedrooms	30%	\$1,254
11 2 Bedrooms	50%	\$2,091
5 2 Bedrooms	70%	\$2,927
4 3 Bedrooms	30%	\$1,449
23 3 Bedrooms	50%	\$2,415
4 3 Bedrooms	70%	\$3,381
2 4 Bedrooms	30%	\$1,617
7 4 Bedrooms	50%	\$2,695
2 4 Bedrooms	70%	\$3,773
1 1 Bedroom	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$11,015,185
Construction Costs	\$49,187,570
Construction Hard Cost Contingency	\$2,422,889
Soft Cost Contingency	\$625,000
Architectural/Engineering	\$3,136,172
Const. Interest, Perm. Financing	\$6,199,560
Legal Fees	\$393,666
Reserves	\$733,198
Other Costs	\$1,723,476
Developer Fee	\$9,082,536
Total	\$84,519,252

Residential

Construction Cost Per Square Foot:	\$540
Per Unit Cost:	\$828,620
Estimated Hard Per Unit Cost:	\$414,823
True Cash Per Unit Cost*:	\$761,990
Bond Allocation Per Unit:	\$394,076
Bond Allocation Per Restricted Rental Unit:	\$446,619

Construction Financing

<u>Source</u>	<u>Amount</u>
Citibank: Tax-Exempt	\$40,195,709
Citibank: Taxable	\$23,476,586
Deferred Costs	\$13,333,078
Tax Credit Equity	\$7,513,879

Permanent Financing

<u>Source</u>	<u>Amount</u>
CalHFA: Tax-Exempt	\$12,412,020
CalHFA: MIP	\$4,000,000
Master Developer Loan	\$11,500,000
Deferred Developer Fee	\$6,796,258
Tax Credit Equity	\$49,810,974
TOTAL	\$84,519,252

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis:	\$69,632,779
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$90,522,613
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	\$3,620,905
Total State Credit:	\$20,400,000
Approved Developer Fee (in Project Cost & Eligible Basis):	\$9,082,536
Investor/Consultant:	Boston Financial
Federal Tax Credit Factor:	\$0.87979
State Tax Credit Factor:	\$0.88014

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

CTCAC Significant Information / Additional Conditions

Staff noted a per unit development cost of \$761,990. The applicant noted that the per unit cost is attributed to Type I construction costs, interest rates, prevailing wages, and supply chain costs.

CDLAC Analyst Comments

None

Resyndication and Resyndication Transfer Event: None.

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.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

CTCAC 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 CTCAC.

The applicant must pay CTCAC a reservation fee calculated in accordance with regulation. Additionally, CTCAC 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 CTCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

If the applicant has requested the use of a CUAC utility allowance, CTCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from CTCAC, this project is not eligible to use a utility allowance based on the CUAC.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by CTCAC 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 CTCAC in its final feasibility analysis.

CDLAC Additional Conditions

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the CTCAC placed in service review, CTCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.

If points were awarded by CDLAC for housing type, the project shall comply with the housing type requirements at the time of CTCAC's Placed In Service review. The housing type requirement shall be conditioned in the CTCAC Regulatory Agreement and CTCAC Compliance staff shall verify the project is meeting those housing type requirements, consistent with California Code of Regulations, title 4, section 10322(i).

Point Criteria	New Const. Max. Points	Rehabilitation Max. Points	Points Scored
Preservation and Other Rehabilitation Project Priorities	0	20	0
New Construction Density and Local Incentives	10	0	10
Exceeding Minimum Income Restrictions	20	20	20
Exceeding Minimum Rent Restrictions	10	10	10
General Partner Experience	7	7	7
Management Company Experience	3	3	3
Housing Needs	10	0	10
Leveraged Soft Resources	8	8	8
Readiness to Proceed	10	10	10
Affirmatively Furthering Fair Housing	10	0	9
Site Amenities	10	10	10
Service Amenities	10	10	10
Cost Containment	12	12	12
Negative Points	No Maximum		0
Total Points	120	110	119

The criteria for which points are awarded will also be incorporated into the Resolution transferring Allocation to the Applicant as well as the appropriate bond documents and loan and finance agreements.

Tie Breaker: 135.571%