

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2024 Second Round**

**October 2, 2024**

Sierra Madre Apartments, located at 421 Leavenworth Street in San Francisco, requested and is being recommended for a reservation of \$2,500,000 in annual federal tax credits and \$8,200,000 in total state tax credits to finance the acquisition and rehabilitation of 46 units of housing serving tenants with rents affordable to households earning 30%-60% 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.

**Project Number** CA-24-087

**Project Name** Sierra Madre Apartments  
Site Address: 421 Leavenworth Street  
San Francisco, CA 94102  
County: San Francisco  
Census Tract: 122.04

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total *</b>
Requested:	\$2,500,000	\$8,200,000
Recommended:	\$2,500,000	\$8,200,000

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

**Applicant Information**

Applicant: Tenderloin Neighborhood Development Corporation  
Contact: Katherine Lamont  
Address: 201 Eddy Street  
San Francisco, CA 94102  
Phone: 415-358-3933  
Email: klamont@tndc.org

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

**Project Information**

Construction Type: Acquisition and Rehabilitation  
Total # Residential Buildings: 1  
Total # of Units: 47  
No. & % of Tax Credit Units: 46 100%  
Federal Set-Aside Elected: 40%/60%  
Federal Subsidy: CDBG / HUD Section 8 Project-based Vouchers (11 Units - 23%)

**Information**

Set-Aside: N/A  
 Housing Type: SRO  
 Geographic Area: San Francisco County  
 CTCAC Project Analyst: Nick White

**55-Year Use / Affordability**

<u>Aggregate Targeting</u>	<u>Number of Units</u>	<u>Percent of Required Affordable Units</u>
At or Below 30% AMI:	26	55%
At or Below 50% AMI:	16	30%
At or Below 60% AMI:	4	5%

**Unit Mix**

43 SRO/Studio Units  
4 1-Bedroom Units  
 47 Total Units

<u>Unit Type &amp; Number</u>	<u>2024 Rents Targeted % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
11 SRO/Studio	30%	\$955
14 SRO/Studio	30%	\$955
1 1 Bedroom	30%	\$1,005
14 SRO/Studio	50%	\$1,675
2 1 Bedroom	50%	\$1,785
4 SRO/Studio	60%	\$1,713
1 1 Bedroom	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$3,994,732
Construction Costs	\$0
Rehabilitation Costs	\$23,413,873
Construction Contingency	\$4,081,961
Relocation	\$0
Architectural/Engineering	\$1,297,337
Const. Interest, Perm. Financing	\$4,437,143
Legal Fees	\$101,033
Reserves	\$223,528
Other Costs	\$1,237,700
Developer Fee	\$2,500,000
Commercial Costs	\$0
<b>Total</b>	<b>\$41,287,307</b>

**Residential**

Construction Cost Per Square Foot:	\$1,151
Per Unit Cost:	\$878,453
True Cash Per Unit Cost*:	\$878,453

<b>Construction Financing</b>		<b>Permanent Financing</b>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Silicon Valley Bank	\$29,236,871	MOHCD: CDBG <sup>1</sup>	\$2,804,437
MOHCD: CDBG <sup>1</sup>	\$2,804,437	Accrued Interest	\$244,707
Accrued Interest	\$244,707	General Partner Equity	\$2,146,106
Deferred Costs	\$1,656,427	Historic Tax Credit Equity	\$6,296,691
General Partner Equity	\$2,146,106	Tax Credit Equity	\$29,795,366
Tax Credit Equity	\$5,198,759	<b>TOTAL</b>	<b>\$41,287,307</b>

\*Less Donated Land, Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

<sup>1</sup>San Francisco Mayor's Office of Housing and Community Development: Community Development Block Grant

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$26,686,955
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$2,519,317
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$26,686,955
Applicable Rate:	9.00%
Qualified Basis (Acquisition):	\$2,519,317
Applicable Rate:	4.00%
Maximum Annual Federal Credit, Rehabilitation:	\$2,399,227
Maximum Annual Federal Credit, Acquisition:	\$100,773
Total Maximum Annual Federal Credit:	\$2,500,000
Total State Credit:	\$8,200,000
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	California Housing Partnership
Federal Tax Credit Factor:	\$0.90973
State Tax Credit Factor:	\$0.86000

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, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits, unless a waiver has been granted for a purchase price not to exceed the sum of third party debt that will be assumed or paid off. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

**Tie-Breaker Information**

First:	<b>SRO</b>
Self-Score Final:	<b>22.383%</b>
CTCAC Final:	<b>22.531%</b>

**Significant Information / Additional Conditions**

Development costs are roughly \$878,453 per unit. The factors affecting this cost include site demolition, seismic upgrades, electrification, lack of economies of scale, labor and local hiring requirements, and additional requirements due to the historic nature of the facade.

This project requested and received a waiver to underwrite the project with the purchase price of \$2,804,437, exceeding appraised value of \$2,800,000. The purchase price does not exceed the sum of the third-party debt encumbering the property that will be assumed or paid off.

The project's 3-month operating reserve is less than the amount required under regulation section 10327(c)(7)(B). Under regulation section 10327(a), initial application errors of up to 50% of the contingency line shall be deemed covered by the contingency line item. However, at the submission of the next updated application required by CTCAC, and all subsequent submissions to CTCAC, including the placed-in-service submission for the issuance of the IRS 8609 forms, the applicant must fund the 3-month operating reserve at a level that meets the requirement of regulation section 10327(c)(7)(B).

This SRO project requested and was granted a waiver to use 5% vacancy rate for all units. This is supported by the project's historical vacancy rate.

**Resyndication and Resyndication Transfer Event:** None.

**Local Reviewing Agency**

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

**Standard Conditions**

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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 performance deposit and allocation 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.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of fifteen years and at no cost to the tenants. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

<b>Points System</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Owner / Management Characteristics</b>	<b>10</b>	<b>10</b>	<b>10</b>
General Partner Experience	7	7	7
Management Experience	3	3	3
<b>Housing Needs</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Site Amenities</b>	<b>15</b>	<b>15</b>	<b>15</b>
Within 1/8 mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within 1/2 mile of public park or community center open to general public	3	3	3
Within 1/2 mile of public library	3	3	3
Within 1/2 mile of medical clinic or hospital	3	3	3
Within 1/2 mile of a pharmacy	2	2	0
In-unit high speed internet service	2	2	0
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 360 bdrms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	5	5	5
<b>Lowest Income</b>	<b>52</b>	<b>52</b>	<b>52</b>
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Miscellaneous Federal and State Policies</b>	<b>2</b>	<b>2</b>	<b>2</b>
Historic Preservation	1	1	1
Revitalization Area Project	2	2	2
<b>Total Points</b>	<b>109</b>	<b>109</b>	<b>109</b>

**Please Note:** If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

**DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.**