

**CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE
 CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
 Project Staff Report
 Qualified Private Activity Tax-Exempt Bond Project
 December 11, 2024**

Sunnydale HOPE SF Block 7, located at 65 Santos Street in San Francisco on a 1.02 acre site, requested and is being recommended for a reservation of \$5,121,561 in annual federal tax credits and \$53,305,000 of tax-exempt bond cap to finance the new construction of 89 units of housing, consisting of 88 restricted rental units and 1 unrestricted manager's unit. The project will have 13 one-bedroom units, 44 two-bedroom units, 23 three-bedroom units, and 9 four-bedroom units, serving families with rents affordable to households earning 30%-60% of area median income (AMI). The construction is expected to begin in June 2025 and be completed in June 2027. The project will be developed by Mercy Housing California and will be located in Senate District 11 and Assembly District 17.

The project will be receiving rental assistance in the form of MHSA Rental Assistance. The project financing includes state funding from the Affordable Housing and Sustainable Communities (AHSC) program of HCD.

Project Number CA-24-719
Project Name Sunnydale HOPE SF Block 7
 Site Address: 65 Santos Street
 San Francisco, CA 94134
 County: San Francisco
 Census Tract: 605.02

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$5,121,561	\$0
Recommended:	\$5,121,561	\$0

Tax-Exempt Bond Allocation
 Recommended: \$53,305,000

CTCAC Applicant Information
 CTCAC Applicant/CDLAC Sponsor: Sunnydale Block 7 Housing Partners, L.P.
 Contact: Elizabeth Kuwada
 Address: 1256 Market Street
 San Francisco, CA 94102
 Phone: 415-355-7133
 Email: elizabeth.kuwada@mercyhousing.org

Bond Financing Information
 CDLAC Applicant/Bond Issuer: City and County of San Francisco
 Bond Counsel: Jones Hall, A Professional Law Corporation
 Private Placement Purchaser: Citibank, N.A.

Development Team

General Partner(s) or Principal Owner(s): Sunnydale Block 7 LLC
 Related/Sunnydale Block 7 Development CO,LLC
 General Partner Type: Joint Venture
 Parent Company(ies): Mercy Housing Calwest
 The Related Companies of California
 Developer: Mercy Housing California
 Investor/Consultant: California Housing Partnership Corporation
 Management Agent: Mercy Housing Management Group

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 89
 No. / % of Low Income Units: 88 100.00%
 Average Targeted Affordability: 38.57%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt

Information

Housing Type: Large Family
 Geographic Area: San Francisco County
 State Ceiling Pool: New Construction
 Set Aside: N/A
 CDLAC Project Analyst: Jake Salle
 CTCAC Project Analyst: Sabrina Yang

55-Year Use / Affordability

<u>Aggregate Targeting</u>	<u>Number of Units</u>	<u>of Affordable Units</u>
30% AMI:	23	26%
50% AMI:	53	60%
60% AMI:	12	14%

Unit Mix

13 1-Bedroom Units
44 2-Bedroom Units
23 3-Bedroom Units
9 4-Bedroom Units
<u>89 Total Units</u>

Unit Type & Number	2024 Rents Targeted % of Area Median Income	Proposed Rent (including utilities)
5 1 Bedroom	30%	\$1,101
13 2 Bedrooms	30%	\$1,322
4 3 Bedrooms	30%	\$1,527
1 4 Bedrooms	30%	\$1,704
4 1 Bedroom	50%	\$1,499
19 2 Bedrooms	50%	\$1,686
13 3 Bedrooms	50%	\$1,874
8 4 Bedrooms	50%	\$2,024
3 1 Bedroom	50%	\$1,836
4 2 Bedrooms	50%	\$2,203
2 3 Bedrooms	50%	\$2,545
1 1 Bedroom	60%	\$1,836
7 2 Bedrooms	60%	\$2,203
4 3 Bedrooms	60%	\$2,545
1 2 Bedrooms	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$10,001
Construction Costs	\$74,574,900
Construction Hard Cost Contingency	\$3,782,561
Soft Cost Contingency	\$567,195
Architectural/Engineering	\$2,740,000
Const. Interest, Perm. Financing	\$16,409,284
Legal Fees	\$175,000
Reserves	\$889,064
Other Costs	\$3,905,807
Developer Fee	\$4,036,468
Total	\$107,090,280

Residential

Construction Cost Per Square Foot:	\$648
Per Unit Cost:	\$1,203,262
Estimated Hard Per Unit Cost:	\$754,960
True Cash Per Unit Cost*:	\$1,185,998
Bond Allocation Per Unit:	\$598,933
Bond Allocation Per Restricted Rental Unit:	\$605,739

Construction Financing

Source	Amount
CitiBank: Tax-Exempt	\$53,305,000
CitiBank: Taxable	\$29,220,305
SF MOHCD ¹	\$15,350,000
Accrued Interest	\$820,983
Deferred Costs	\$2,202,364
Deferred Developer Fee	\$1,536,468
Tax Credit Equity	\$4,655,160

Permanent Financing

Source	Amount
CitiBank: Tax-Exempt	\$22,468,000
HCD: AHSC	\$18,500,000
SF MOHCD ¹	\$15,350,000
Accrued Interest	\$820,983
Deferred Developer Fee	\$1,536,468
Tax Credit Equity	\$48,414,829
TOTAL	\$107,090,280

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

¹San Francisco Mayor's Office of Housing and Community Development

Determination of Credit Amount(s)

Requested Eligible Basis:	\$98,491,555
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$128,039,021
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	\$5,121,561
Approved Developer Fee (in Project Cost & Eligible Basis):	\$4,036,468
Federal Tax Credit Factor:	\$0.94531

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 \$1,185,998. The applicant stated that construction costs have increased due to all-electric building requirements and prevailing wages.

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

Tie Breaker: 137.413%