

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**2013 First Round**  
**June 12, 2013**

**Project Number** CA-13-043

**Project Name** 819 North Rengstorff Studio Apartments  
 Site Address: 819 North Rengstorff Avenue  
 Mountain View, CA 94304-4353 County: Santa Clara  
 Census Tract: 5093.040

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$607,500	\$2,025,000
Recommended:	\$607,500	\$2,025,000

**Applicant Information**

Applicant: Eden Housing, Inc.  
 Contact: Neil Saxby  
 Address: 22645 Grand Street  
 Hayward, CA 94541  
 Phone: 510-247-8138 Fax: 510-582-0122  
 Email: nsaxby@edenhousing.org

General partner(s) or principal owner(s): Eden 819 North Rengstorff Studios, LLC  
 ROEM 819 North Rengstorff Studios, LLC  
 General Partner Type: Joint Venture  
 Developer: Eden Housing, Inc. and ROEM Development Corp.  
 Investor/Consultant: Community Economics, Inc.  
 Management Agent(s): Eden Housing Management, Inc.

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 1  
 Total # of Units: 49  
 No. & % of Tax Credit Units: 48 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: N/A  
 Average Targeted Affordability of SRO Project Units: 39.90%  
 Affordability Breakdown by Units and % (Lowest Income Points):

30% AMI:	13	25 %
40% AMI:	10	20 %
45% AMI:	25	50 %

**Information**

Set-Aside: N/A  
 Housing Type: Single Room Occupancy  
 Geographic Area: South and West Bay Region  
 TCAC Project Analyst: Benjamin Schwartz

**Unit Mix**

48 SRO/Studio Units  
1 1-Bedroom Units  
 49 Total Units

<u>Unit Type &amp; Number</u>	<u>2013 Rents Targeted % of Area Median Income</u>	<u>2013 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
13 SRO/Studio	30%	30%	\$532
10 SRO/Studio	40%	40%	\$710
25 SRO/Studio	45%	45%	\$798
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

**Project Financing**

Estimated Total Project Cost: \$17,311,021  
 Estimated Residential Project Cost: \$15,687,136  
 Estimated Commercial Project Cost \$1,623,885

**Residential**

Construction Cost Per Square Foot: \$162  
 Per Unit Cost: \$320,146

**Construction Financing**

**Permanent Financing**

<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
CitiBank Construction Loan	\$6,211,988	CitiBank Perm loan - residential	\$530,000
City of Mountain View	\$9,000,000	CitiBank Perm loan - commercial	\$335,185
Cost Deferred until Perm	\$987,272	City of Mountain View	\$9,000,000
GP Equity	\$11,761	GP Equity	\$11,761
Deferred Developer Fee	\$100,000	Deferred Developer Fee	\$100,000
Tax Credit Equity	\$1,000,000	Tax Credit Equity	\$7,334,075
		<b>TOTAL</b>	<b>\$17,311,021</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$6,750,000
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$6,750,000
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$607,500
Total State Credit:	\$2,025,000
Approved Developer Fee in Project Cost:	\$1,557,343
Approved Developer Fee in Residential Project Cost	\$1,424,270
Approved Developer Fee in Non-Residential Project Cos	\$133,073
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Community Economics, Inc.
Federal Tax Credit Factor:	\$0.99226
State Tax Credit Factor:	\$0.64497

Per Regulation Section 10322(i)(4)(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:	\$6,750,000
Actual Eligible Basis:	\$10,895,135
Unadjusted Threshold Basis Limit:	\$7,379,191
Total Adjusted Threshold Basis Limit:	\$9,011,897

**Adjustments to Basis Limit:**

Local Development Impact Fees  
95% of Upper Floor Units are Elevator-Serviced

**Tie-Breaker Information**

First:	<b>Single Room Occupancy</b>
Second:	<b>70.002%</b>

**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 meet 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 9.00% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.20%. 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:**

Project meets the requirements of the SRO housing type, and is not targeting a Special Needs population. Therefore, the applicant was permitted to select service amenities from the Large Family, Senior, At-Risk Projects section. In addition, the 10% vacancy rate assumption for SRO projects was waived by the Executive Director as allowed by regulation. A 5% vacancy rate was assumed for underwriting purposes.

The applicant included developer fee residential cost in the sources and uses budget at \$1,460,412, which exceeds the TCAC limit of \$1,424,270. TCAC reduced the developer cost down accordingly.

The estimate of the contractor’s profit, overhead and general requirement costs exceed the limits established by regulation. Be cautioned that at final review, prior to the issuance of the IRS 8609 forms, any costs or eligible basis that exceeds the limits will not be allowed; otherwise the Tax Credit originally awarded may be decreased.

**Legal Status:** Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

**Local Reviewing Agency:**

The Local Reviewing Agency, City of Mountain View, 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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$607,500</b>	<b>\$2,025,000</b>

**Standard Conditions**

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

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 performance deposit and allocation 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.

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 ten years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(6) at project completion. 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.

**Additional Conditions:**       None

<b>Points System</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Cost Efficiency / Credit Reduction / Public Funds</b>	<b>20</b>	<b>20</b>	<b>20</b>
Public Funds	20	20	20
<b>Owner / Management Characteristics</b>	<b>9</b>	<b>9</b>	<b>9</b>
General Partner Experience	6	6	6
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 ¼ mile of transit stop, service every 30 min, 25 units/acre density	7	7	0
Within ¼ mile of regular bus stop (or dial-a-ride service for rural set-aside)	4	0	4
Within ¼ mile of public park or community center open to general public	3	3	3
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Special Needs/SRO project within 1 mile of facility serving tenant pop.	2	2	2
Within ½ mile of a pharmacy	1	1	1
In-unit high speed internet service	2	2	2
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Adult ed/health & wellness/skill bldg classes, minimum 84 hrs/yr instruction	7	7	7
<b>Sustainable Building Methods</b>	<b>10</b>	<b>10</b>	<b>10</b>
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: LEED	5	5	5
Develop project to requirements of: LEED Silver	3	3	3
Energy efficiency beyond CA Building Code Title 24 requirements: 17.5%	2	2	2
<b>Lowest Income</b>	<b>52</b>	<b>52</b>	<b>52</b>
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b>	<b>20</b>	<b>20</b>	<b>20</b>
<b>Miscellaneous Federal and State Policies</b>	<b>2</b>	<b>2</b>	<b>2</b>
State Credit Substitution	2	2	2
<b>Total Points</b>	<b>148</b>	<b>148</b>	<b>148</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.**