

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
June 11, 2014

Project Number CA-14-841

Project Name Stevenson House
 Site Address: 455 E Charleston Road
 Palo Alto, CA 94306 County: Santa Clara
 Census Tract: 5108.300

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,098,207	\$0
Recommended:	\$1,098,207	\$0

Applicant Information

Applicant: PASHPI Stevenson House LP
 Contact: Thomas Pamilla
 Address: 455 E Charleston Road
 Palo Alto, CA 94306
 Phone: 650-494-1944 Fax: 650-493-7437
 Email: tompamilla@stevensonhouse.org

General Partner(s) / Principal Owner(s): PASHPI Stevenson House LLC
 Palo Alto Senior Housing Project, Inc
 General Partner Type: Nonprofit
 Parent Company(ies): Palo Alto Senior Housing Project, Inc
 Developer: The Related Companies of California
 Investor/Consultant: Merritt Community Capital
 Management Agent: PASHPI
 John Stewart Company

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 3
 Total # of Units: 120
 No. & % of Tax Credit Units: 119 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD SPRAC Project-Based Vouchers (83 units - 70%)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 35% of area median income: 12
 Number of Units @ or below 50% of area median income: 73
 Number of Units @ or below 60% of area median income: 34

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: 08/31/14
 Credit Enhancement: None

Information

Housing Type: Seniors
 Geographic Area: South and West Bay Region
 TCAC Project Analyst: Benjamin Schwartz

Unit Mix

92 SRO/Studio Units
 28 1-Bedroom Units

 120 Total Units

<u>Unit Type & Number</u>	<u>2014 Rents Targeted % of Area Median Income</u>	<u>2014 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
9 SRO/Studio	30%	30%	\$535
19 SRO/Studio	40%	40%	\$714
37 SRO/Studio	50%	50%	\$892
26 SRO/Studio	60%	60%	\$1,065
3 1 Bedroom	30%	30%	\$573
6 1 Bedroom	40%	40%	\$765
11 1 Bedroom	50%	50%	\$956
8 1 Bedroom	60%	60%	\$1,140
1 SRO/Studio	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost: \$36,886,339
 Estimated Residential Project Cost: \$36,886,339

Residential

Construction Cost Per Square Foot: \$170
 Per Unit Cost: \$307,386

Construction Financing

<u>Source</u>	<u>Amount</u>
Silicon Valley Bank	\$20,000,000
Santa Clara County - Stanford GUP	\$4,000,000
City of Palo Alto	\$1,000,000
Seller Carry Back Note	\$8,062,789
Deferred Costs	\$2,621,099
Tax Credit Equity	\$1,202,451

Permanent Financing

<u>Source</u>	<u>Amount</u>
Prudential	\$14,000,000
Santa Clara County - Stanford GUP	\$4,000,000
City of Palo Alto	\$1,000,000
Seller Carry Back Note	\$6,446,985
Capitalized Soft Loan Interest	\$457,282
Tax Credit Equity	\$10,982,072
TOTAL	\$36,886,339

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$17,694,239
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$14,990,500
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$17,694,239
Applicable Rate:	3.36%
Qualified Basis (Acquisition):	\$14,990,500
Applicable Rate:	3.36%
Maximum Annual Federal Credit, Rehabilitation:	\$594,526
Maximum Annual Federal Credit, Acquisition:	\$503,680
Total Maximum Annual Federal Credit:	\$1,098,206
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	Merritt Community Capital
Federal Tax Credit Factor:	\$1.00000

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:	\$32,684,739
Actual Eligible Basis:	\$32,684,739
Unadjusted Threshold Basis Limit:	\$25,807,144
Total Adjusted Threshold Basis Limit:	\$57,595,754

Adjustments to Basis Limit:

Required to Pay Prevailing Wages

Seismic Upgrading

95% of Upper Floor Units are Elevator-Serviced

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 61%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 20%

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 3.36% 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: 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.

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
\$1,098,207	\$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.

The applicant must pay TCAC a performance deposit and 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: The applicant/owner is required to provide the tenants with the following service amenities free of charge for a minimum of ten (10) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC:

- Contract with a full time equivalent bona fide service coordinator / social worker for a minimum number of hours per year on-site

The applicant/owner is required to complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The project commits to improve energy efficiency above the modeled energy consumption of the building(s) by a 20% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERSII) post rehabilitation.