

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
October 19, 2016**

Waverly Place Apartments, located at 105 Fifth Avenue in Redwood City, requested and is being recommended for a reservation of \$292,014 in annual federal tax credits to finance the new construction of 15 units of housing serving special needs tenants with rents affordable to households earning 15-30% AMI of area median income (AMI). The project will be developed by Mental Health Association of San Mateo County and is located in Senate District 13 and Assembly District 24.

The project will be receiving rental assistance in the form of HUD Shelter Plus Care. The project financing includes state funding from the MHP program of HCD and MHSA through CalHFA.

Project Number CA-16-953

Project Name Waverly Place Apartments
Site Address: 105 Fifth Avenue
Redwood City, CA 94063 County: San Mateo
Census Tract: 6106.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$292,014	\$0
Recommended:	\$292,014	\$0

Applicant Information

Applicant: Mental Health Association of San Mateo County
Contact: Melissa Platte
Address: 2686 Spring Street
Redwood City, CA 94063
Phone: (650) 257-8814 Fax: (510) 879-0354
Email: melissap@mhasmc.org

General Partner(s) or Principal Owner(s): Waverly Place LLC
General Partner Type: Nonprofit
Parent Company(ies): Mental Health Association of San Mateo County
Developer: Mental Health Association of San Mateo County
Investor/Consultant: Community Economics
Management Agent: John Stewart Company

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 16
 No. & % of Tax Credit Units: 15 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HOME / CDBG / HUD Shelter Plus Care (100% - 15 units)
 HCD MHP Funding: Yes
 Number of Units @ or below 35% of area median income: 15

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: February 1, 2017
 Credit Enhancement: N/A

Information

Housing Type: Special Needs
 Geographic Area: South and West Bay Region
 TCAC Project Analyst: Alex Ninh

Unit Mix

15 SRO/Studio Units
 1 1-Bedroom Units

 16 Total Units

<u>Unit Type & Number</u>	<u>2016 Rents Targeted % of Area Median Income</u>	<u>2016 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
9 SRO/Studio	15%	15%	\$323
4 SRO/Studio	20%	20%	\$430
2 SRO/Studio	30%	30%	\$645
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,377,034
Construction Costs	\$4,643,172
Rehabilitation Costs	\$0
Construction Contingency	\$466,817
Relocation	\$0
Architectural/Engineering	\$449,990
Const. Interest, Perm. Financing	\$614,881
Legal Fees, Appraisals	\$55,000
Reserves	\$848,958
Other Costs	\$348,418
Developer Fee	\$750,000
Commercial Costs	\$0
Total	\$9,554,270

Project Financing

Estimated Total Project Cost:	\$9,554,270
Estimated Residential Project Cost:	\$9,554,270
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$413
Per Unit Cost:	\$597,142
True Cash Per Unit Cost*:	\$597,142

Construction Financing

Source	Amount
Wells Fargo Bank	\$4,898,584
City of Redwood City	\$600,000
Co. of San Mateo - HOME/CDBG	\$1,018,700
Co. of San Mateo - HOME/CDBG	\$400,000
County Affordable Housing Fund	\$950,000
Tax Credit Equity	\$300,000

Permanent Financing

Source	Amount
City of Redwood City	\$610,875
Co. of San Mateo - HOME/CDBG	\$1,018,700
Co. of San Mateo - HOME/CDBG	\$400,000
County Affordable Housing Fund	\$950,000
CalHFA - MHSA	\$1,973,895
HCD - MHP	\$1,334,263
General Partner Equity	\$350,000
Tax Credit Equity	\$2,916,537
TOTAL	\$9,554,270

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$6,911,572
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$8,985,043
Applicable Rate:	3.25%
Total Maximum Annual Federal Credit:	\$292,014
Approved Developer Fee (in Project Cost & Eligible Basis):	\$750,000
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	\$0.99877

Per Regulation Section 10322(h)(9)(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:	\$6,911,572
Actual Eligible Basis:	\$6,911,572
Unadjusted Threshold Basis Limit:	\$3,879,076
Total Adjusted Threshold Basis Limit:	\$12,519,156

Adjustments to Basis Limit

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages

100% of Units for Special Needs Population

Local Development Impact Fees

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 200%

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 3.25% 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, San Mateo County Housing Department and Housing Authority of the County of San Mateo, 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:

Federal Tax Credits/Annual	State Tax Credits/Total
\$292,014	\$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.

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: None.