

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**Tax-Exempt Bond Project**

**December 14, 2016**

**REVISED**

Rotary Miller Avenue Senior Housing, located at 310-314 Miller Avenue and 313 Tamarack Lane in South San Francisco, requested and is being recommended for a reservation of \$1,293,957 in annual federal tax credits to finance the new construction of 80 units of housing serving seniors with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by Beacon Communities Inc. and will be located in Senate District 13 and Assembly District 22.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

**Project Number** CA-16-983

**Project Name** Rotary Miller Avenue Senior Housing  
Site Address: 310-314 Miller Avenue & 313 Tamarack Lane  
South San Francisco, CA 94080 County: San Mateo  
Census Tract: 6022.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,293,957	\$0
Recommended:	\$1,293,957	\$0

**Applicant Information**

Applicant: Miller Avenue Senior Housing, LP  
Contact: Ancel Romero  
Address: 6120 Stoneridge Mall Rd., 3rd Floor  
South San Francisco, CA 94588  
Phone: 925-924-7197  
Email: aromero@beaconcommunities.org

General Partner(s) or Principal Owner(s): Rotary Miller Avenue LLC  
General Partner Type: Nonprofit  
Parent Company(ies): Beacon Communities Inc.  
Rotary Plaza, Inc.  
Developer: Beacon Communities Inc.  
Investor/Consultant: Community Economics, Inc.  
Management Agent: Beacon Communities Inc.

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 1  
 Total # of Units: 81  
 No. & % of Tax Credit Units: 80 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt/HUD Section 8 Project-based Vouchers (8 units - 10%)  
 HCD MHP Funding: No  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 35% of area median income: 9  
 Number of Units @ or below 50% of area median income: 71

**Bond Information**

Issuer: California Municipal Finance Authority  
 Expected Date of Issuance: March 15, 2017  
 Credit Enhancement: N/A

**Information**

Housing Type: Seniors  
 Geographic Area: South and West Bay Region  
 TCAC Project Analyst: Lucy Vang

**Unit Mix**

80 1-Bedroom Units  
 1 2-Bedroom Units  


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 81 Total Units

<u>Unit Type &amp; 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>
5 1 Bedroom	30%	30%	\$691
4 1 Bedroom	30%	30%	\$691
4 1 Bedroom	50%	47%	\$1,095
67 1 Bedroom	50%	47%	\$1,095
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$2,295,530
Construction Costs	\$21,300,846
Rehabilitation Costs	\$0
Construction Contingency	\$2,112,598
Relocation	\$350,000
Architectural/Engineering	\$1,282,447
Const. Interest, Perm. Financing	\$1,701,849
Legal Fees, Appraisals	\$24,843
Reserves	\$363,182
Other Costs	\$1,984,406
Developer Fee	\$4,047,395
Commercial Costs	\$557,492
<b>Total</b>	<b>\$36,020,588</b>

**Project Financing**

Estimated Total Project Cost:	\$36,020,588
Estimated Residential Project Cost:	\$35,463,096
Estimated Commercial Project Cost:	\$557,492

**Residential**

Construction Cost Per Square Foot:	\$281
Per Unit Cost:	\$437,816
True Cash Per Unit Cost*:	\$399,612

**Construction Financing**

Source	Amount
Citibank	\$20,000,000
County of San Mateo	\$1,500,000
Accrued Deferred Interest	\$26,850
Rotary Plaza Inc. Loan	\$6,230,820
Accrued Deferred Interest	\$184,011
AHP	\$810,000
Land Donation	\$2,040,000
Tax Credit Equity	\$1,418,500

**Permanent Financing**

Source	Amount
Citibank	\$5,600,000
County of San Mateo	\$1,500,000
Accrued Deferred Interest	\$26,850
Rotary Plaza Inc. Loan	\$10,279,918
Accrued Deferred Interest	\$184,011
AHP	\$810,000
Land Donation	\$2,040,000
Deferred Developer Fee	\$1,611,977
Tax Credit Equity	\$13,967,832
<b>TOTAL</b>	<b>\$36,020,588</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$30,626,232
130% High Cost Adjustment:	Yes
Requested Eligible Basis:	\$0
Applicable Fraction:	100.00%
Qualified Basis:	\$39,814,102
Total Maximum Annual Federal Credit:	\$1,293,957
Approved Developer Fee in Project Cost:	\$4,111,977
Approved Developer Fee in Eligible Basis:	\$3,213,055
Investor/Consultant:	Community Economics, Inc.
Federal Tax Credit Factor:	\$1.07947

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:	\$30,626,232
Actual Eligible Basis:	\$30,626,232
Unadjusted Threshold Basis Limit:	\$22,484,880
Total Adjusted Threshold Basis Limit:	\$49,857,527

**Adjustments to Basis Limit**

Local Development Impact Fees

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: 88%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 22%

**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, City of South San Francisco, 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>\$1,293,957</b>	<b>\$0</b>

**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**

The applicant/owner is required to provide the tenants with the following service amenities free of charge for a minimum of fifteen (15) 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 having at least 1 building subject to a policy developed by the owner that prohibits smoking in contiguous designated units.
- The project commits to a parking ratio equivalent of 1 parking stall or less per SRO and 1-bedroom restricted rental units, and 1.5 parking stall or less per 2-bedroom and larger restricted rental units.