

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2017 Second Round

September 20, 2017

The Veranda, located at 19160 Stevens Creek Blvd. in Cupertino, requested and is being recommended for a reservation of \$546,907 in annual federal tax credits to finance the new construction of 18 units of housing serving seniors with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by Charities Housing and will be located in Senate District 15 and Assembly District 28.

Project Number CA-17-083

Project Name The Veranda
Site Address: 19160 Stevens Creek Blvd.
Cupertino, CA 95014 County: Santa Clara
Census Tract: 5080.030

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$546,907	\$0
Recommended:	\$546,907	\$0

Applicant Information

Applicant: Stevens Creek L.P.
Contact: Kathy Robinson
Address: 1400 Parkmoor Ave., Suite 190
San Jose, CA 95126
Phone: 408-550-8311 Fax: 408-550-8339
Email: krobinson@charitieshousing.org

General Partner(s) / Principal Owner(s): Stevens Creek Charities, LLC
General Partner Type: Nonprofit
Parent Company(ies): Charities Housing
Developer: Charities Housing
Investor/Consultant: California Housing Partnership
Management Agent(s): Charities Housing

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 19
 No. & % of Tax Credit Units: 18 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: None
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 3 15 %
 40% AMI: 5 25 %
 50% AMI: 10 40 %

Information

Set-Aside: N/A
 Housing Type: Seniors
 Geographic Area: South and West Bay
 TCAC Project Analyst: Marlene McDonough

Unit Mix

18 SRO/Studio Units
 19 Total Units

<u>Unit Type & Number</u>	<u>2017 Rents Targeted % of Area Median Income</u>	<u>2017 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
3 SRO/Studio	30%	30%	\$627
5 SRO/Studio	40%	40%	\$836
10 SRO/Studio	50%	50%	\$1,045
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$17,400,900

Project Cost Summary at Application

Land and Acquisition	\$4,170,220
Construction Costs	\$3,521,379
Rehabilitation Costs	\$0
Construction Contingency	\$360,353
Relocation	\$0
Architectural/Engineering	\$540,783
Const. Interest, Perm. Financing	\$470,688
Legal Fees, Appraisals	\$90,000
Reserves	\$40,207
Other Costs	\$1,053,673
Developer Fee	\$578,930
Commercial Costs	\$0
Total	\$10,826,233

Project Financing

Estimated Total Project Cost:	\$10,826,233
Estimated Residential Project Cost:	\$10,826,233
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$311
Per Unit Cost:	\$569,802
True Cash Per Unit Cost*:	\$551,083

Construction Financing

Source	Amount
Wells Fargo	\$4,022,000
City of Cupertino - AHF***	\$3,672,000
City of Cupertino - Fee Waiver	\$355,661
HTSV - Land Loan**	\$1,000,000
HTSV - Supportive Housing Fund**	\$963,819
Deferred Interest	\$33,085
Tax Credit Equity	\$372,167

Permanent Financing

Source	Amount
City of Cupertino - AHF***	\$3,672,000
City of Cupertino - Fee Waiver	\$355,661
HTSV - Land Loan**	\$1,000,000
HTSV - Supportive Housing Fund**	\$963,819
Deferred Interest	\$33,085
Tax Credit Equity	\$4,801,668
TOTAL	\$10,826,233

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

**HTSV - Housing Trust of Silicon Valley

***AHF - Affordable Housing Fund

Determination of Credit Amount(s)

Requested Eligible Basis:	\$4,674,415
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$6,076,740
Applicable Rate:	9.00%
Maximum Annual Federal Credit:	\$546,907
Approved Developer Fee (in Project Cost & Eligible Basis):	\$578,930
Investor/Consultant:	California Housing Partnership
Federal Tax Credit Factor:	\$0.87797

Per Regulation Section 10327(c)(6), 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, except that the adjustment factor related to costs described in Section 10327(c)(2)(A) shall be recalculated at placed in service where applicable.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$4,674,415
Actual Eligible Basis:	\$6,053,251
Unadjusted Threshold Basis Limit:	\$4,015,296
Total Adjusted Threshold Basis Limit:	\$4,674,416

Adjustments to Basis Limit

One or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Install bamboo, cork, salvaged or FSC-Certified wood, natural linoleum, natural rubber, or ceramic tile in all kitchens, living rooms, and bathrooms where no VOC adhesives or backing is used
- Install bamboo, stained concrete, cork, salvaged or FSC-Certified wood, ceramic tile, or natural linoleum in all common areas

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Seniors
Final:	70.038%

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 9.0% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.23%. 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

Development costs are approximately \$569,802 per unit. This is due to high real estate costs, lack of economics of scale for 18 studio units, and constructing a 3-story building with an elevator.

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 Cupertino, 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
\$546,907	\$0

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. 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 fifteen 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.

Points System	Max. Possible Points	Requested Points	Points Awarded
Cost Efficiency / Credit Reduction / Public Funds	20	20	20
Public Funds	20	20	20
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within 1/8 mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within 1/2 mile of public park or community center open to general public	3	3	3
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Within 1 mile of medical clinic or hospital	2	2	2
Within 1/2 mile of a pharmacy	2	2	2
Service Amenities	10	10	10
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, min. 60 hrs/yr instruction	5	5	5
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: GreenPoint Rated Program	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed	15	15	15
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	138	138	138

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.