

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2013 Second Round

September 25, 2013

Project Number CA-13-102

Project Name 1585 Studios
Site Address: 1581 -1585 El Camino Real
Mountain View, CA 94040 County: Santa Clara
Census Tract: 5098.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$362,164	\$1,207,212
Recommended:	\$362,164	\$1,207,212

Applicant Information

Applicant: 1585 Studios, LP
Contact: Tom Iamesi
Address: 75 E. Santa Clara Street, Ste. 1300
San Jose, CA 95113
Phone: 408-291-8650 Fax: 408-993-9098
Email: tomi@firsthousing.org

General Partner(s) or Principal Owner(s): 1585 Studios, LLC
General Partner Type: Nonprofit
Parent Company(ies): First Community Housing
Developer: First Community Housing
Investor/Consultant: Community Economics
Management Agent(s): The John Stewart Company

Project Information

Construction Type: New Construction
Total # Residential Buildings: 2
Total # of Units: 27
No. & % of Tax Credit Units: 26 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: HOME
Average Targeted Affordability of SRO Project Units: 37.69%
Affordability Breakdown by Units and % (Lowest Income Points):
30% AMI: 16 60 %
50% AMI: 10 35 %

Information

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

Unit Mix

26 SRO/Studio Units
1 1-Bedroom Units
 27 Total Units

<u>Unit Type & 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>
16 SRO/Studio	30%	30%	\$532
10 SRO/Studio	50%	50%	\$887
1 1 Bedroom	Manager's Unit	Manager's Unit	\$1,200

Project Financing

Estimated Total Project Cost: \$9,847,587
 Estimated Residential Project Cost: \$9,847,587

Residential

Construction Cost Per Square Foot: \$312
 Per Unit Cost: \$364,725

Construction Financing

Permanent Financing

<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Silicon Valley Bank - Construction Loan	\$2,764,451	City of Mountain View - BMR Loan	\$2,532,000
City of Mountain View - BMR Loan	\$2,532,000	City of Mountain View - HOME Loan	\$920,000
City of Mountain View - HOME Loan	\$920,000	County of Santa Clara/Stanford AHF Loan	\$2,207,811
County of Santa Clara/Stanford AHF Loan	\$2,207,811	GP Equity	\$100
GP Equity	\$100	Tax Credit Equity	\$4,187,676
Tax Credit Equity	\$628,151	TOTAL	\$9,847,587

Determination of Credit Amount(s)

Requested Eligible Basis: \$4,024,041
 130% High Cost Adjustment: No
 Applicable Fraction: 100.00%
 Qualified Basis: \$4,024,041
 Applicable Rate: 9.00%
 Maximum Annual Federal Credit: \$362,164
 Total State Credit: \$1,207,212
 Approved Developer Fee (in Project Cost & Eligible Basis): \$800,000
 Investor/Consultant: Community Economics
 Federal Tax Credit Factor: \$0.93963
 State Tax Credit Factor: \$0.65000

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:	\$4,024,041
Actual Eligible Basis:	\$8,016,887
Unadjusted Threshold Basis Limit:	\$4,076,397
Total Adjusted Threshold Basis Limit:	\$6,193,395

Adjustments to Basis Limit:

Required to Pay Prevailing Wages

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

Environmental Mitigation

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Single Room Occupancy
Second:	77.136%

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 9.00% 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: None

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:

Federal Tax Credits/Annual	State Tax Credits/Total
\$362,164	\$1,207,212

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

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 ¼ mile of transit stop, service every 30 min, 25 units/acre density	7	7	7
Within ½ mile of public park or community center open to general public	2	2	2
Within ½ mile of public library	2	2	2
Within 1.5 miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Special Needs/SRO project within 1 mile of facility serving tenant pop.	2	2	2
Within 1 mile of medical clinic or hospital	2	2	2
Within ¼ mile of a pharmacy	2	2	2
Service Amenities	10	10	10
SPECIAL NEEDS AND SRO HOUSING TYPES			
Case Manager, minimum ratio of 1 FTE to 100 bedrooms	5	5	5
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 360 bdrm	5	5	5
Sustainable Building Methods	10	10	10
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: GreenPoint Rated Multifam	5	5	5
Develop project to requirements of: GreenPoint Rated Multifami 125	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	20	20	20
Miscellaneous Federal and State Policies	2	2	2
Universal Design	1	1	1
Smoke Free Residence	1	1	1
Total Points	148	148	148

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.