

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
January 29, 2014

Project Number CA-14-800

Project Name Main Street Park I
 Site Address: 1101 Main Street
 Half Moon Bay, CA 94109 County: San Mateo
 Census Tract: 6137.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$386,827	\$0
Recommended:	\$386,827	\$0

Applicant Information

Applicant: Main Street Park I, L.P.
 Contact: Matthew O. Franklin
 Address: 303 Vintage Park Drive Suite 250
 Foster City, CA 94404
 Phone: (650) 356-2903 Fax: (650) 357-9766
 Email: mfranklin@midpen-housing.org

General Partner(s) or Principal Owner(s): Main Street Park I LLC
 General Partner Type: Nonprofit
 Parent Company(ies): MidPen Housing Corporation
 Developer: MidPen Housing Corporation
 Investor: Community Economics
 Management Agent: MidPen Property Management Corporation

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 10
 Total # of Units: 36
 No. & % of Tax Credit Units: 35 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HOME / CDBG
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 15
 Number of Units @ or below 60% of area median income: 20

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: March 1, 2014
 Credit Enhancement: None

Information

Housing Type: Non-Targeted
 Geographic Area: South and West Bay Region
 TCAC Project Analyst: Benjamin Schwartz

Unit Mix

5 1-Bedroom Units
 17 2-Bedroom Units
 12 3-Bedroom Units
 2 4-Bedroom Units

 36 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>
1 1 Bedroom	50%	40%	\$784
2 1 Bedroom	60%	51%	\$1,006
1 1 Bedroom	60%	60%	\$1,187
3 2 Bedrooms	50%	39%	\$924
3 2 Bedrooms	50%	45%	\$1,069
1 2 Bedrooms	50%	49%	\$1,159
1 2 Bedrooms	60%	51%	\$1,211
4 2 Bedrooms	60%	56%	\$1,338
2 2 Bedrooms	60%	59%	\$1,401
2 2 Bedrooms	60%	60%	\$1,425
4 3 Bedrooms	50%	41%	\$1,122
1 3 Bedrooms	50%	45%	\$1,246
1 3 Bedrooms	60%	46%	\$1,259
1 3 Bedrooms	60%	47%	\$1,282
1 3 Bedrooms	60%	49%	\$1,356
1 3 Bedrooms	60%	54%	\$1,477
1 3 Bedrooms	60%	55%	\$1,499
2 3 Bedrooms	60%	60%	\$1,646
1 4 Bedrooms	50%	43%	\$1,306
1 4 Bedrooms	60%	53%	\$1,615
1 1 Bedroom	50%	42%	\$838
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost:	\$12,878,678
Estimated Residential Project Cost:	\$12,878,678

Residential

Construction Cost Per Square Foot:	\$69
Per Unit Cost:	\$357,741

Construction Financing

Source	Amount
Citibank Tax Exempt Bond Loan	\$6,200,000
Existing County HOME Loan	\$1,205,000
New County CDBG Loan	\$605,000
Seller Take Back Loan	\$2,960,000
Project Reserves For Rehab	\$150,000
Tax Credit Equity	\$600,000

Permanent Financing

Source	Amount
Citibank Tax Exempt Bond Loan	\$1,757,700
Existing County HOME Loan	\$1,205,000
New County CDBG Loan	\$605,000
Seller Take Back Loan	\$2,960,000
Project Reserves For Rehab	\$150,000
Sponsor Loan	\$2,200,000
Deferred Developer Fee	\$32,914
Tax Credit Equity	\$3,968,064
TOTAL	\$12,878,678

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$3,991,024
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$6,900,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$5,188,332
Applicable Rate:	3.20%
Qualified Basis (Acquisition):	\$6,900,000
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$166,027
Maximum Annual Federal Credit, Acquisition:	\$220,800
Total Maximum Annual Federal Credit:	\$386,827
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,420,568
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	\$1.02580

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:	\$10,891,024
Actual Eligible Basis:	\$10,891,024
Unadjusted Threshold Basis Limit:	\$9,004,881
Total Adjusted Threshold Basis Limit:	\$12,786,931

Adjustments to Basis Limit:

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 42%

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 3.20% 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: This project is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Main Street Park I (CA-95-055).

Local Reviewing Agency:

The Local Reviewing Agency, 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
\$386,827	\$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: 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:

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