

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2014 First Round**

**June 11, 2014**

**REVISED**

**Project Number** CA-14-079

**Project Name** Willow Housing, LP  
**Site Address:** 605 Willow Road  
Menlo Park, CA 94025 County: San Mateo  
**Census Tract:** 6139.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$973,240	\$3,791,844
Recommended:	\$973,240	\$3,791,844

**Applicant Information**

**Applicant:** Core Affordable Housing, LLC  
**Contact:** Darci Palmer  
**Address:** 470 S. Market St.  
San Jose, CA 95113  
**Phone:** 408-292-7841 **Fax:** 408-292-0339  
**Email:** dpalmer@thecorecompanies.com

**General Partner(s) or Principal Owner(s):** Core Willow, LLC  
To be formed Willow EAH, LLC

**General Partner Type:** Joint Venture

**Parent Company(ies):** Core Affordable Housing, LLC  
Cecilia Place Homes

**Developer:** Core Affordable Housing, LLC

**Investor/Consultant:** NEF

**Management Agent(s):** EAH Housing

**Project Information**

**Construction Type:** New Construction

**Total # Residential Buildings:** 1

**Total # of Units:** 60

**No. & % of Tax Credit Units:** 59 100%

**Federal Set-Aside Elected:** 40%/60%

**Federal Subsidy:** HOME / Project-Based VASH Vouchers (59% - 35 units)

**Average Targeted Affordability of Special Needs/SRO Project Units:** 38.81%

**Affordability Breakdown by Units and % (Lowest Income Points):**

30% AMI:	7	10 %
40% AMI:	52	80 %

**Information**

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

**Unit Mix**

54 SRO/Studio Units  
 5 1-Bedroom Units  
 1 2-Bedroom Units  


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 60 Total Units

<u>Unit Type &amp; Number</u>	<u>2014 Rents Targeted % of Area Median Income</u>	<u>2014 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
6 SRO/Studio	30%	30%	\$581
48 SRO/Studio	40%	40%	\$775
1 1 Bedroom	30%	30%	\$622
4 1 Bedroom	40%	40%	\$830
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$1,465

**Project Financing**

Estimated Total Project Cost: \$29,499,713  
 Estimated Residential Project Cost: \$29,499,713

**Residential**

Construction Cost Per Square Foot: \$266  
 Per Unit Cost: \$491,662

**Construction Financing**

<u>Source</u>	<u>Amount</u>
Citi Community Capital	\$8,930,000
County of San Mateo HOME	\$375,000
County of San Mateo AHF	\$1,400,000
City of Menlo Park BMR Fund	\$2,860,000
Dept. of Veterans Affairs (Land)	\$12,000,000
Deferred Uses During Construction	\$1,933,104
Tax Credit Equity	\$2,001,609

**Permanent Financing**

<u>Source</u>	<u>Amount</u>
County of San Mateo HOME	\$375,000
County of San Mateo AHF	\$1,400,000
City of Menlo Park BMR Fund	\$2,860,000
Dept. of Veterans Affairs (Land)	\$12,000,000
Deferred Developer Fee	\$25,654
Tax Credit Equity	\$12,839,059
<b>TOTAL</b>	<b>\$29,499,713</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$13,304,718
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$12,639,482
Applicable Rate:	7.70%
Total Maximum Annual Federal Credit:	\$973,240
Total State Credit:	\$3,791,844
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,400,000
Investor/Consultant:	NEF
Federal Tax Credit Factor:	\$1.02700
State Tax Credit Factor:	\$0.75000

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:	\$13,304,718
Actual Eligible Basis:	\$16,223,102
Unadjusted Threshold Basis Limit:	\$11,643,509
Total Adjusted Threshold Basis Limit:	\$15,941,076

**Adjustments to Basis Limit:**

Required to Pay Prevailing Wages  
 Local Development Impact Fees  
 95% of Upper Floor Units are Elevator-Serviced

**Tie-Breaker Information**

First:	<b>Single Room Occupancy</b>
Second:	<b>82.285%</b>

**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 7.70% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.36%. 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:** Even though points were not received for internet, it must still be provided per TCAC Regulations Section 10325(c)(5)(A)(10).

**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 Menlo Park, 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>\$973,240</b>	<b>\$3,791,844</b>

**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

<b>Points System</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Cost Efficiency / Credit Reduction / Public Funds</b>	<b>20</b>	<b>20</b>	<b>20</b>
Public Funds	20	20	20
<b>Owner / Management Characteristics</b>	<b>9</b>	<b>9</b>	<b>9</b>
General Partner Experience	6	6	6
Management Experience	3	3	3
<b>Housing Needs</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Site Amenities</b>	<b>15</b>	<b>15</b>	<b>15</b>
Within ¼ mile of transit stop, service every 30 min, 25 units/acre density	7	7	7
Within ¼ mile of public park or community center open to general public	3	3	3
Within 1.5 miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Special Needs/SRO project within ½ mile of facility serving tenant pop.	3	3	3
In-unit high speed internet service	2	2	0
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>SPECIAL NEEDS AND SRO HOUSING TYPES</b>			
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 360 bdrms	5	5	5
Adult ed/health & wellness/skill bldg classes, minimum 84 hrs/yr instruction	5	5	5
Health/behavioral services provided by licensed org. or individual	5	5	5
<b>Sustainable Building Methods</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>NEW CONSTRUCTION/ADAPTIVE REUSE</b>			
Develop project in accordance w/ requirements of: LEED	5	5	5
Develop project to requirements of: LEED Silver	3	3	3
Energy efficiency beyond CA Building Code Title 24 requirements: 17.5%	2	2	2
<b>Lowest Income</b>	<b>52</b>	<b>52</b>	<b>52</b>
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b>	<b>20</b>	<b>20</b>	<b>20</b>
<b>Miscellaneous Federal and State Policies</b>	<b>2</b>	<b>2</b>	<b>2</b>
Smoke Free Residence	2	2	2
<b>Total Points</b>	<b>148</b>	<b>148</b>	<b>148</b>

**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.**