

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**October 15, 2014**

**Project Number** CA-14-896

**Project Name** Rotary Plaza  
 Site Address: 433 Alida Way  
 South San Francisco, CA 94080 County: San Mateo  
 Census Tract: 6024.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$2,087,161	\$0
Recommended:	\$2,087,161	\$0

**Applicant Information**

Applicant: American Baptist Homes of the West, Inc.  
 Contact: Ancel Romero  
 Address: 6120 Stoneridge Mall Rd., 3rd Floor  
 Pleasanton, CA 94588  
 Phone: (925) 924-7197 Fax: (925) 924-7233  
 Email: aromero@abhow.com

General Partner(s) or Principal Owner(s):	Rotary Plaza Associates, LLC
General Partner Type:	Nonprofit
Parent Company(ies):	American Baptist Homes of the West
Developer:	American Baptist Homes of the West
Investor/Consultant:	Merritt Community Capital
Management Agent:	American Baptist Homes of the West

**Project Information**

Construction Type: Acquisition & Rehabilitation  
 Total # Residential Buildings: 2  
 Total # of Units: 179  
 No. & % of Tax Credit Units: 177 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based contract (140 units - 79%)  
 HCD MHP Funding: No  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 50% of area median income: 72  
 Number of Units @ or below 60% of area median income: 105

**Bond Information**

Issuer: California Municipal Finance Authority  
 Expected Date of Issuance: November 30, 2014  
 Credit Enhancement: N/A

**Information**

Housing Type: Seniors  
 Geographic Area: South and West Bay Region  
 TCAC Project Analyst: Marisol Parks

**Unit Mix**

125 SRO/Studio Units  
54 1-Bedroom Units  
 179 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>
8 SRO/Studio	50%	36%	\$692
1 SRO/Studio	60%	36%	\$697
11 SRO/Studio	50%	39%	\$763
2 SRO/Studio	60%	52%	\$1,000
12 SRO/Studio	50%	29%	\$568
87 SRO/Studio	60%	23%	\$446
3 SRO/Studio	60%	40%	\$782
1 SRO/Studio	60%	57%	\$1,100
9 1 Bedroom	60%	25%	\$511
2 1 Bedroom	50%	22%	\$462
8 1 Bedroom	50%	43%	\$900
2 1 Bedroom	60%	58%	\$1,200
1 1 Bedroom	50%	41%	\$849
27 1 Bedroom	50%	42%	\$877
3 1 Bedroom	50%	29%	\$594
2 1 Bedroom	Manager's Unit	Manager's Unit	\$849

**Project Financing**

Estimated Total Project Cost:	\$63,457,064
Estimated Residential Project Cost:	\$63,457,064

**Residential**

Construction Cost Per Square Foot:	\$141
Per Unit Cost:	\$354,509

**Construction Financing**

Source	Amount
Citi Community Capital	\$35,000,000
Seller Carryback Loan	\$20,740,000
Accrued Interest on Seller Loan	\$798,490
Income From Operations	\$740,970
Existing Reserves	\$1,250,000
Tax Credit Equity	\$1,495,711

**Permanent Financing**

Source	Amount
Citi Community Capital	\$18,006,500
Seller Carryback Loan	\$20,740,000
Accrued Interest on Seller Loan	\$798,490
Income From Operations	\$740,970
Existing Reserves	\$1,250,000
Tax Credit Equity	\$21,921,104
<b>TOTAL</b>	<b>\$63,457,064</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$25,391,949
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$29,108,354
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$33,009,534
Qualified Basis (Acquisition):	\$29,108,354
Applicable Rate:	3.36%
Maximum Annual Federal Credit, Rehabilitation:	\$1,109,120
Maximum Annual Federal Credit, Acquisition:	\$978,041
Total Maximum Annual Federal Credit:	\$2,087,161
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	Merritt Community Capital
Federal Tax Credit Factor:	\$1.05028

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:	\$54,500,303
Actual Eligible Basis:	\$54,500,303
Unadjusted Threshold Basis Limit:	\$41,469,428
Total Adjusted Threshold Basis Limit	\$63,692,144

**Adjustments to Basis Limit:**

- Seismic Upgrading
- 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: 40%

**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 3.36% 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:** The owner of the project will pay all utilities associated with the project.

**Local Reviewing Agency:**

The Local Reviewing Agency, the 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>\$2,087,161</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 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:

- 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 improve energy efficiency above the modeled energy consumption of the building(s) by a 15% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERSII) post rehabilitation.