

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
March 18, 2015

Project Number CA-15-800

Project Name 6800 Mission Family Housing
 Site Address: 6800-6834 Mission Street; 325-331 Miriam Street
 Daly City, CA 94014 County: San Mateo
 Census Tract: 6006.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,254,501	\$0
Recommended:	\$1,254,501	\$0

Applicant Information

Applicant: Mid-Peninsula The Farm, Inc.
 Contact: Matthew O. Franklin
 Address: 303 Vintage Park Drive, Ste. 250
 Foster City, CA 94404
 Phone: 650-356-2900 Fax: 650-357-9766
 Email: mfranklin@midpen-housing.org

General Partner(s) or Principal Owner(s):	Mid-Peninsula The Farm, Inc.
General Partner Type:	Nonprofit
Parent Company(ies):	MidPen Housing Corporation
Developer:	MidPen Housing Corporation
Investor/Consultant:	California Housing Partnership Corporation
Management Agent:	MidPen Property Management Corporation

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 52
 No. & % of Tax Credit Units: 51 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HOME/CDBG/HUD Project-Based Section 8 Vouchers (26 Units - 51%)
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 38
 Number of Units @ or below 60% of area median income: 13

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: April 1, 2015
 Credit Enhancement: N/A

Information

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

Unit Mix

20 1-Bedroom Units
 16 2-Bedroom Units
 16 3-Bedroom Units

 52 Total Units

<u>Unit Type & 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>
2 1 Bedroom	50%	30%	\$623
2 2 Bedrooms	50%	30%	\$748
2 3 Bedrooms	50%	30%	\$863
6 1 Bedroom	50%	35%	\$727
2 2 Bedrooms	50%	35%	\$872
2 3 Bedrooms	50%	35%	\$1,007
8 1 Bedroom	50%	50%	\$1,038
7 2 Bedrooms	50%	50%	\$1,246
6 3 Bedrooms	50%	50%	\$1,439
1 3 Bedrooms	50%	50%	\$1,439
4 1 Bedroom	60%	60%	\$1,246
4 2 Bedrooms	60%	60%	\$1,495
5 3 Bedrooms	60%	60%	\$1,727
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost:	\$35,456,454
Estimated Residential Project Cost:	\$34,853,693
Estimated Commercial Project Cost:	\$602,761

Residential

Construction Cost Per Square Foot:	\$241
Per Unit Cost:	\$670,263

Construction Financing

Source	Amount
Wells Fargo/Citi Community Capital	\$21,500,000
Seller Carryback Loan	\$2,420,000
Daly City - HTF/HOME	\$1,494,997
San Mateo County - AHF	\$2,350,000
San Mateo County - HOME/CDBG	\$2,270,425
San Mateo Housing Authority	\$2,500,000
Deferred Costs	\$301,821
Tax Credit Equity	\$973,416

Permanent Financing

Source	Amount
Citibank - Tranche A	\$3,171,000
Citibank - Tranche B	\$4,634,000
Seller Carryback Loan	\$2,420,000
Daly City - HTF/HOME	\$1,494,997
San Mateo County - AHF	\$2,350,000
San Mateo County - HOME/CDBG	\$2,270,425
San Mateo Housing Authority	\$2,500,000
Citi Subordinate Loan	\$780,000
Deferred Costs	\$301,821
Deferred Developer Fee	\$1,100,000
Tax Credit Equity	\$14,434,211
TOTAL	\$35,456,454

Determination of Credit Amount(s)

Requested Eligible Basis:	\$29,242,446
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$38,015,180
Applicable Rate:	3.30%
Total Maximum Annual Federal Credit:	\$1,254,501
Approved Developer Fee in Project Cost:	\$2,500,000
Approved Developer Fee in Eligible Basis:	\$2,466,000
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$1.15059

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:	\$29,242,446
Actual Eligible Basis:	\$29,242,446
Unadjusted Threshold Basis Limit:	\$16,342,480
Total Adjusted Threshold Basis Limit:	\$35,136,389

Adjustments to Basis Limit:

- Required to Pay Prevailing Wages
- Parking Beneath Residential Units
- Local Development Impact Fees
- 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: 74%

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 3.30% 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 water in all units will be sub-metered by a private utility billing company. The meters will be located within each apartment which will track and bill individual water usage.

The per unit development project cost is \$670,263. The primary factor for the high cost is its location in the San Francisco Bay Area, which is a high cost region and consistently ranks as one of the most expensive places in the nation to develop and operate real estate. The project will be constructed on an L-shaped lot that will be covered entirely by a subterranean Type I concrete parking garage containing approximately 78 parking spaces. The irregular site configuration also makes the underground parking garage extremely costly. The site is challenging and expensive to develop due to the fact that the site slopes downhill from its apex. Additionally, Mission Street is a CalTrans right-of-way so any sidewalk/curb/gutter work or utility connections along the Mission Street frontage require CalTrans approval and permits which lengthen the duration of the construction phase and increase the costs.

Local Reviewing Agency:

The Local Reviewing Agency, City of Daly City, 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
\$1,254,501	\$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: None