

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2015 Second Round**

**September 23, 2015**

Sequoia Belle Haven, located at 1221 Willow Road in Menlo Park, CA, requested and is being recommended for a reservation of \$2,079,214 in annual federal tax credits to finance the new construction of 89 units of housing serving seniors with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by MidPen Housing Corporation and will be located in Senate District 13 and Assembly District 24.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

**Project Number** CA-15-107

**Project Name** Sequoia Belle Haven  
**Site Address:** 1221 Willow Road  
Menlo Park, CA 94025 County: San Mateo  
**Census Tract:** 6117.000

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$2,079,214	\$0
Recommended:	\$2,079,214	\$0

**Applicant Information**

**Applicant:** MidPen Housing Corporation  
**Contact:** Matthew O. Franklin  
**Address:** 303 Vintage Park Drive, Suite 250  
Foster City, CA 94404  
**Phone:** 650-356-2919 **Fax:** (650) 357-9766  
**Email:** mfranklin@midpen-housing.org

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

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 1  
 Total # of Units: 90  
 No. & % of Tax Credit Units: 89 100%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: HUD Section 8 Project-based Contract (69 units - 100%) /  
 HOME / CDBG

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

30% AMI: 9 10 %  
 45% AMI: 23 25 %  
 50% AMI: 57 40 %

**Information**

Set-Aside: N/A  
 Housing Type: Seniors  
 Geographic Area: South and West Bay Region  
 TCAC Project Analyst: Marlene McDonough

**Unit Mix**

86 1-Bedroom Units  
 4 2-Bedroom Units  


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 90 Total Units

<u>Unit Type &amp; Number</u>	<u>2015 Rents Targeted % of Area Median Income</u>	<u>2015 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
8 1 Bedroom	30%	30%	\$659
23 1 Bedroom	45%	45%	\$989
55 1 Bedroom	50%	45%	\$989
1 2 Bedrooms	30%	30%	\$790
2 2 Bedrooms	50%	45%	\$1,186
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$6,076,260
Construction Costs	\$27,319,798
Rehabilitation Costs	\$0
Construction Contingency	\$1,606,596
Relocation	\$2,978,534
Architectural/Engineering	\$1,774,432
Construction Interest, Perm Financing	\$2,027,657
Legal Fees, Appraisals	\$55,000
Reserves	\$697,302
Other Costs	\$2,060,932
Developer Fee	\$1,400,000
Commercial Costs	\$0
<b>Total</b>	<b>\$45,996,511</b>

**Project Financing**

Estimated Total Project Cost:	\$45,996,511
Estimated Residential Project Cost:	\$45,996,511

**Residential**

Construction Cost Per Square Foot:	\$344
Per Unit Cost:	\$511,072

**Construction Financing**

Source	Amount
CitiBank	\$30,986,344
San Mateo County - HOME/CDBG	\$1,004,459
San Mateo County - AHF	\$685,000
City of Menlo Park	\$3,200,000
City of Menlo Park - Existing Land Loan	\$1,902,860
City of Menlo Park - Land Donation	\$2,248,000
City of Menlo Park - Fee Waiver	\$734,068
AHP	\$890,000
Seller Note	\$1,200,000
General Partner Equity	\$412,135
Tax Credit Equity	\$1,116,343

**Permanent Financing**

Source	Amount
CitiBank - Tranche A	\$3,169,400
CitiBank - Tranche B	\$6,552,400
San Mateo County - HOME/CDBG	\$1,004,459
San Mateo County - AHF	\$685,000
City of Menlo Park	\$3,200,000
City of Menlo Park - Existing Land Loan	\$1,902,860
City of Menlo Park - Land Donation	\$2,248,000
City of Menlo Park - Fee Waiver	\$734,068
AHP	\$890,000
Seller Note	\$1,200,000
Deferred Developer Fee	\$189,617
General Partner Equity	\$412,135
Tax Credit Equity	\$23,808,572
<b>TOTAL</b>	<b>\$45,996,511</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$20,798,381
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$27,037,896
Applicable Rate:	7.69%
Total Maximum Annual Federal Credit:	\$2,079,214
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,400,000
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	\$1.14508

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:	\$20,798,381
Actual Eligible Basis:	\$34,740,337
Unadjusted Threshold Basis Limit:	\$21,985,848
Total Adjusted Threshold Basis Limit:	\$28,658,075

**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>Seniors</b>
Second:	<b>48.867%</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 7.69% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.30%. 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, San Mateo County - Department of Housing, 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>\$2,079,214</b>	<b>\$0</b>

**Standard Conditions**

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. 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 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
In-unit high speed internet service	2	2	2
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 60 hrs/yr instruction	5	5	5
<b>Sustainable Building Methods</b>	<b>10</b>	<b>10</b>	<b>10</b>
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: LEED	5	5	5
Develop project to requirements of: Gold	5	5	5
<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>
State Credit Substitution	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.**