

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
March 16, 2016

City Center Plaza, located at 950 Main Street in Redwood City, requested and is being recommended for a reservation of \$913,751 in annual federal tax credits to finance the acquisition and rehabilitation of 80 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by MidPen Housing Corporation and is located in Senate District 13 and Assembly District 22.

City Center Plaza is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Mezes Court (CA-95-038). See **Special Issues/Other Significant Information** below for additional re-syndication information.

Project Number CA-16-823

Project Name City Center Plaza
Site Address: 950 Main Street
Redwood City, CA 94063 County: San Mateo
Census Tract: 6102.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$913,751	\$0
Recommended:	\$913,751	\$0

Applicant Information

Applicant: City Center Plaza, L.P., a California Limited Partnership
Contact: Jan M. Lindenthal
Address: 303 Vintage Park Drive, Suite 250
Foster City, CA 94404
Phone: 650-356-2919 Fax: 650-357-9766
Email: jlindenthal@midpen-housing.org

General Partner(s) or Principal Owner(s): MP City Center Plaza LLC
General Partner Type: Nonprofit
Parent Company(ies): MidPen Housing Corporation
Developer: MidPen Housing Corporation
Investor/Consultant: California Housing Partnership Corp.
Management Agent: MidPen Property Management Corporation

Project Information

Construction Type: Acquisition and Rehabilitation
 Total # Residential Buildings: 4
 Total # of Units: 81
 No. & % of Tax Credit Units: 80 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / CDBG
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 33
 Number of Units @ or below 60% of area median income: 47

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: June 1, 2016
 Credit Enhancement: No

Information

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

Unit Mix

20 1-Bedroom Units
 32 2-Bedroom Units
 22 3-Bedroom Units
7 4-Bedroom Units
 81 Total Units

<u>Unit Type & 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>
12 1 Bedroom	50%	42%	\$928
8 1 Bedroom	60%	55%	\$1,214
14 2 Bedrooms	50%	44%	\$1,157
18 2 Bedrooms	60%	54%	\$1,431
6 3 Bedrooms	50%	44%	\$1,354
15 3 Bedrooms	60%	49%	\$1,497
1 4 Bedrooms	50%	47%	\$1,595
6 4 Bedrooms	60%	46%	\$1,547
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$1,828

Project Cost Summary at Application

Land and Acquisition	\$16,431,104
Construction Costs	\$0
Rehabilitation Costs	\$4,807,014
Construction Contingency	\$1,201,753
Relocation	\$10,000
Architectural/Engineering	\$152,931
Construction Interest, Perm Financing	\$976,144
Legal Fees, Appraisals	\$105,516
Reserves	\$560,129
Other Costs	\$678,412
Developer Fee	\$3,313,727
Commercial Costs	\$480,036
Total	\$28,716,767

Project Financing

Estimated Total Project Cost:	\$28,716,767
Estimated Residential Project Cost:	\$28,184,095
Estimated Commercial Project Cost	\$532,672

Residential

Construction Cost Per Square Foot:	\$54
Per Unit Cost:	\$347,952

Construction Financing

Source	Amount
Silicon Valley Bank Loan	\$16,660,000
City of Redwood RDA (Assumed)	\$371,076
City of Redwood CDBG (Assumed)	\$262,355
Seller Carryback Loan	\$7,481,458
Accrued/Deferred Interest	\$300,401
GP Capital	\$511,034
PV Rebates	\$43,150
Existing Reserves	\$52,487
Deferred Developer Fee	\$813,728
Net Tax Credit Equity	\$981,131

Permanent Financing

Source	Amount
CCRC Loan	\$4,928,000
City of Redwood RDA (Assumed)	\$371,076
City of Redwood CDBG (Assumed)	\$262,355
Seller Carryback Loan	\$7,481,458
Accrued/Deferred Interest	\$300,401
Sponsor Loan	\$2,800,000
GP Capital	\$511,034
PV Rebates	\$43,150
Existing Reserves	\$52,487
Operating Income	\$306,767
Deferred Developer Fee	\$813,728
PV Credit Equity	\$43,070
Tax Credit Equity	\$10,803,241
TOTAL	\$28,716,767

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$7,860,102
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$17,471,316
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$10,218,133
Qualified Basis (Acquisition):	\$17,471,316
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$337,198
Maximum Annual Federal Credit, Acquisition:	\$576,553
Total Maximum Annual Federal Credit:	\$913,751
Approved Developer Fee in Project Cost:	\$3,313,727
Approved Developer Fee in Eligible Basis:	\$3,261,093
Investor/Consultant:	California Housing Partnership Corp.
Federal Tax Credit Factor:	\$1.18230

Per Regulation Section 10322(h)(9)(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:	\$25,331,418
Actual Eligible Basis:	\$25,331,418
Unadjusted Threshold Basis Limit:	\$30,526,144
Total Adjusted Threshold Basis Limit:	\$46,094,477

Adjustments to Basis Limit

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:	41%

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:

To be eligible for a new award of tax credits, the owner must provide documentation with the Form 8609 request (the placed in service submission) that the acquisition date and the placed in service date both occurred after the existing federal 15 year compliance period was completed. The initial 15 year compliance period is from January 1 of the owner's elected first year of credit through December 31 of the 15th year. The existing regulatory agreement expires 12/31/2052. The existing regulatory agreement income targeting is 33 units at or below 50% AMI.

The project is a re-syndication occurring concurrently with a Transfer Event without distribution of Net Project Equity, and thus received a waiver from setting aside a Short Term Work Capitalized Replacement

Local Reviewing Agency

The Local Reviewing Agency, City of Redwood, 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
\$913,751	\$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.

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.