

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 18, 2016

Life's Garden, located at 450 Old San Francisco Road in Sunnyvale, requested and is being recommended for a reservation of \$1,846,792 in annual federal tax credits to finance the acquisition and rehabilitation of 195 units of housing serving seniors with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Beacon Communities Inc. and is located in Senate District 24 and Assembly District 13.

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

Project Number CA-16-855

Project Name Life's Garden
 Site Address: 450 Old San Francisco Road
 Sunnyvale, CA 94086 County: Santa Clara
 Census Tract: 5085.04

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,846,792	\$0
Recommended:	\$1,846,792	\$0

Applicant Information

Applicant: Sunnyvale Life, L.P.
 Contact: Ancel Romero
 Address: 6120 Stoneridge Mall Rd., 3rd Floor
 Pleasanton, CA 94588
 Phone: (925) 924-7197 Fax: (925) 924-7233
 Email: aromero@beaconcommunities.org

General Partner(s) or Principal Owner(s): Sunnyvale Life LLC
 General Partner Type: Nonprofit
 Parent Company(ies): Beacon Communities Inc.
 Sunnyvale Life Inc.
 Developer: Beacon Communities Inc.
 Investor/Consultant: Community Economics
 Management Agent: Beacon Communities Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 1
 Total # of Units: 208
 No. & % of Tax Credit Units: 195 94.66%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt/HUD Section 8 Project-based Contract (150 units - 77%)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 42
 Number of Units @ or below 60% of area median income: 153

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: August 1, 2016
 Credit Enhancement: N/A

Information

Housing Type: Seniors
 Geographic Area: South and West Bay Region
 TCAC Project Analyst: Zhuo Chen

Unit Mix

84 SRO/Studio Units
 123 1-Bedroom Units
1 2-Bedroom Units
 208 Total Units

Unit Type & Number	2015 Rents Targeted % of Area Median Income	2015 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
21 SRO/Studio	50%	50%	\$931
54 SRO/Studio	60%	60%	\$1,117
6 SRO/Studio	60%	60%	\$1,117
21 1 Bedroom	50%	50%	\$997
34 1 Bedroom	60%	60%	\$1,197
20 1 Bedroom	60%	60%	\$1,197
39 1 Bedroom	60%	60%	\$1,197
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0
3 SRO/Studio	Market Rate Unit	Market Rate Unit	\$1,086
8 1 Bedroom	Market Rate Unit	Market Rate Unit	\$1,153

Project Cost Summary at Application

Land and Acquisition	\$31,438,110
Construction Costs	\$0
Rehabilitation Costs	\$23,847,597
Construction Contingency	\$0
Relocation	\$3,050,000
Architectural/Engineering	\$1,202,000
Construction Interest, Perm Financing	\$4,453,201
Legal Fees, Appraisals	\$50,000
Reserves	\$2,340,393
Other Costs	\$1,111,163
Developer Fee	\$7,874,436
Commercial Costs	\$0
Total	\$75,366,900

Project Financing

Estimated Total Project Cost:	\$75,366,900
Estimated Residential Project Cost:	\$75,366,900
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$178
Per Unit Cost:	\$362,341
Effective Per Unit Cost:	\$260,350

Construction Financing

Source	Amount
US Bank - TE Bonds	\$39,000,000
Seller Carryback Loan	\$23,275,562
Deferred Interest	\$1,048,476
GP Loan	\$1,113,168
Tax Credit Equity	\$2,000,000

Permanent Financing

Source	Amount
Cornerstone - TE Bonds	\$32,500,000
Seller Carryback Loan	\$16,165,562
Deferred Interest	\$1,048,476
GP Loan	\$1,113,168
Deferred Developer Fee	\$4,424,436
Tax Credit Equity	\$20,115,258
TOTAL	\$75,366,900

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$35,360,349
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$25,010,327
Applicable Fraction:	94.66%
Qualified Basis (Rehabilitation):	\$33,472,175
Qualified Basis (Acquisition):	\$23,674,824
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	\$1,077,360
Maximum Annual Federal Credit, Acquisition:	\$769,432
Total Maximum Annual Federal Credit:	\$1,846,792
Approved Developer Fee (in Project Cost & Eligible Basis):	\$7,874,436
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	\$1.08920

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:	\$60,370,676
Actual Eligible Basis:	\$60,370,676
Unadjusted Threshold Basis Limit:	\$47,303,391
Total Adjusted Threshold Basis Limit:	\$61,494,408

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: 20%

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 3.25% 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: None.

Local Reviewing Agency

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

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
\$1,846,792	\$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

The applicant/owner is required to provide the tenants with the following service amenities free of charge for a minimum of fifteen (15) 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 having at least 1 building subject to a policy developed by the owner that prohibits smoking in contiguous designated units.
- The project commits to a parking ratio equivalent of 1 parking stall or less per SRO and 1-bedroom restricted rental units, and 1.5 parking stall or less per 2-bedroom and larger restricted rental units.