

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2016 Second Round

September 21, 2016

Van Buren Senior Housing, located at 613, 619, 631, 637, 651, and 659 Van Buren Street in Monterey, requested and is being recommended for a reservation of \$505,429 in annual federal tax credits to finance the new construction of 18 units of housing serving seniors with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by Mid-Peninsula The Farm, Inc. and will be located in Senate District 17 and Assembly District 29.

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

Project Number CA-16-119

Project Name Van Buren Senior Housing
Site Address: 613, 619, 631, 637, 651, & 669 Van Buren Street
Monterey, CA 93940 County: Monterey
Census Tract: 127.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$505,429	\$0
Recommended:	\$505,429	\$0

Applicant Information

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

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 19
 No. & % of Tax Credit Units: 18 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HUD Section 8 Project-Based Vouchers (18 Units - 100%)
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 8 40 %
 50% AMI: 10 40 %

Information

Set-Aside: N/A
 Housing Type: Seniors
 Geographic Area: Central Coast Region
 TCAC Project Analyst: DC Navarrette

Unit Mix

19 1-Bedroom Units
19 Total Units

<u>Unit Type & Number</u>	<u>2016 Rents Targeted % of Area Median Income</u>	<u>2016 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
8 1 Bedroom	30%	30%	\$428
10 1 Bedroom	50%	50%	\$713
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,359,926
Construction Costs	\$4,028,484
Rehabilitation Costs	\$0
Construction Contingency	\$209,170
Relocation	\$0
Architectural/Engineering	\$493,700
Const. Interest, Perm. Financing	\$409,605
Legal Fees, Appraisals	\$89,500
Reserves	\$74,362
Other Costs	\$640,597
Developer Fee	\$849,780
Commercial Costs	\$0
Total	\$8,155,125

Project Financing

Estimated Total Project Cost:	\$8,155,125
Estimated Residential Project Cost:	\$8,155,125
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$241
Per Unit Cost:	\$429,217
True Cash Per Unit Cost*:	\$362,242

Construction Financing

Source	Amount
Union Bank	\$5,514,794
City of Monterey - Land Donation	\$1,140,000
AHP	\$270,000
Tax Credit Equity	\$576,189

Permanent Financing

Source	Amount
Union Bank - Tranche B	\$950,700
City of Monterey - Land Donation	\$1,140,000
AHP	\$270,000
Deferred Developer Fee	\$132,534
Tax Credit Equity	\$5,661,891
TOTAL	\$8,155,125

*Less Donated Land, Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis:	\$4,319,906
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$5,615,878
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$505,429
Approved Developer Fee (in Project Cost & Eligible Basis):	\$849,780
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	\$1.12021

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:	\$4,319,906
Actual Eligible Basis:	\$6,514,982
Unadjusted Threshold Basis Limit:	\$4,070,066
Total Adjusted Threshold Basis Limit:	\$5,426,399

Adjustments to Basis Limit

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First: Seniors
Final: 50.013%

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 9.0% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.21%. 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 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
\$505,429	\$0

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 fifteen 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.

Points System	Max. Possible Points	Requested Points	Points Awarded
Cost Efficiency / Credit Reduction / Public Funds	20	20	20
Public Funds	20	20	20
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within 1/8 mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within 1/2 mile of public park or community center open to general public	3	3	3
Within 1/2 mile of public library	3	3	3
Within 1/4 mile of a neighborhood market of at least 5,000 sf	4	4	4
Within 1/2 mile of a pharmacy	2	2	2
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	7	7	7
Health & wellness services and programs, minimum 60 hrs per 100 bdrms	3	3	3
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: GreenPoint Rated	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed	15	15	15
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	138	138	138

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.