

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2016 Second Round

September 21, 2016

1701 ECR, located at 1701 W. El Camino Real in Mountain View, requested and is being recommended for a reservation of \$1,308,295 in annual federal tax credits and \$4,360,984 in total state tax credits to finance the new construction of 66 units of housing serving tenants with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Palo Alto 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. The project financing includes state funding from the VHHP program of HCD.

Project Number CA-16-120

Project Name 1701 ECR

Site Address: 1701 W. El Camino Real
Mountain View, CA 94040 County: Santa Clara
Census Tract: 5098.01

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,308,295	\$4,360,984
Recommended:	\$1,308,295	\$4,360,984

Applicant Information

Applicant: Palo Alto Housing Corporation
Contact: Candice Gonzalez
Address: 725 Alma Street
Palo Alto, CA 94301
Phone: 650-321-9709 Fax: 650-321-4341
Email: cgonzalez@pah.community

General Partner(s) / Principal Owner(s): El Camino Property LLC
General Partner Type: Nonprofit
Parent Company(ies): Palo Alto Housing Corporation
Developer: Palo Alto Housing Corporation
Investor/Consultant: California Housing Partnership Corp.
Management Agent(s): PAHC Management & Services Corp.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 67
 No. & % of Tax Credit Units: 66 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HUD Section 8 Project-based Vouchers (41 units - 62%)
 Average Targeted Affordability of Special Needs/SRO Project Units: 30.70%
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 39 55 %
 40% AMI: 10 15 %

Information

Set-Aside: Nonprofit (homeless assistance)
 Housing Type: Single Room Occupancy
 Type of Special Needs: Homeless/formerly homeless
 % of Special Need Units: 41 units 62%
 Geographic Area: South and West Bay Region
 TCAC Project Analyst: Connie Harina

Unit Mix

62 SRO/Studio Units
 5 1-Bedroom Units

 67 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>
37 SRO/Studio	30%	30%	\$586
2 1 Bedroom	30%	30%	\$628
2 SRO/Studio	40%	40%	\$782
7 SRO/Studio	40%	40%	\$782
1 1 Bedroom	40%	40%	\$837
16 SRO/Studio	60%	60%	\$1,172
1 1 Bedroom	60%	60%	\$1,255
1 1 Bedroom	Manager's Unit	Manager's Unit	\$840

Project Cost Summary at Application

Land and Acquisition	\$5,648,596
Construction Costs	\$15,280,106
Rehabilitation Costs	\$0
Construction Contingency	\$1,577,524
Relocation	\$0
Architectural/Engineering	\$1,182,465
Const. Interest, Perm. Financing	\$1,612,089
Legal Fees, Appraisals	\$102,500
Reserves	\$851,152
Other Costs	\$5,195,820
Developer Fee	\$2,000,000
Commercial Costs	\$0
Total	\$33,450,252

Project Financing

Estimated Total Project Cost:	\$33,450,252
Estimated Residential Project Cost:	\$33,450,252
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$295
Per Unit Cost:	\$499,257
True Cash Per Unit Cost*:	\$428,427

Construction Financing

Source	Amount
Union Bank	\$17,975,000
City of Mountain View	\$7,000,000
Impact Fee Waiver	\$4,145,646
Accrued/Deferred Interest	\$332,500
Tax Credit Equity	\$1,705,145

Permanent Financing

Source	Amount
HCD - VHHP	\$4,430,660
City of Mountain View	\$7,000,000
Impact Fee Waiver	\$4,145,646
Accrued/Deferred Interest	\$332,500
Deferred Developer Fee	\$600,000
Tax Credit Equity	\$16,941,446
TOTAL	\$33,450,252

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$14,536,613
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$14,536,613
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,308,295
Total State Credit:	\$4,360,984
Approved Developer Fee in Project Cost:	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	California Housing Partnership Corp.
Federal Tax Credit Factor:	\$1.06243
State Tax Credit Factor:	\$0.69750

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:	\$14,536,613
Actual Eligible Basis:	\$21,785,068
Unadjusted Threshold Basis Limit:	\$11,775,381
Total Adjusted Threshold Basis Limit:	\$16,764,514

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

Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels

One or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Install bamboo, stained concrete, cork, salvaged or FSC-Certified wood, ceramic tile, or natural linoleum in all common areas

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Single Room Occupancy
Final:	65.387%

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

The project will consist of 67 units, 41 of which will be set aside for homeless and homeless veterans. Of the 41 homeless units, 30 will be assisted by a loan from the State HCD Veteran's Housing & Homeless Prevention Program (VHHP). All 41 of the special needs units will be subsidized with project-based Section 8 Vouchers.

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, the City of Mountain View, 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
\$1,308,295	\$4,360,984

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 ½ mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within 1 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
Within ½ mile of medical clinic or hospital	3	3	3
Within ½ mile of a pharmacy	2	2	2
Service Amenities	10	10	10
SPECIAL NEEDS AND SRO HOUSING TYPES			
Case Manager, minimum ratio of 1 FTE to 100 bedrooms	5	5	5
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 360 bdrms	5	5	5
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.