

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2018 First Round

June 13, 2018

Celestina Garden Apartments, located at 17310 Highway 12 in Sonoma, requested a reservation of \$1,400,000 in annual federal tax credits but is being recommended for a reservation of \$1,397,107 in annual federal tax credits (see “**Special Issues/Other Significant Information**” section) to finance the new construction of 39 units of housing serving seniors with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by MidPen Housing Corporation and will be located in Senate District 2 and Assembly District 4.

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

Project Number CA-18-038

Project Name Celestina Garden Apartments
Site Address: 17310 Highway 12
Sonoma, CA 95476 County: Sonoma
Census Tract: 1503.500

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,400,000	\$0
Recommended:	\$1,397,107	\$0

Applicant Information

Applicant: MidPen Housing Corporation
Contact: Jan M. Lindenthal
Address: 303 Vintage Park Drive, Suite 250
Foster City, CA 94404
Phone: 650-356-2900
Email: jlindenthal@midpen-housing.org

General Partner(s) / Principal Owner(s): MP Springs Senior, LLC
General Partner Type: Nonprofit
Parent Company(ies): MidPen Housing Corporation
Developer: MidPen Housing Corporation
Investor/Consultant: Community Economics
Management Agent(s): MidPen Property Management Company

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 40
 No. & % of Tax Credit Units: 39 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HUD Section 8 Project-based Vouchers (8 Units - 21%)

Information

Set-Aside: Rural
 Housing Type: Seniors
 Geographic Area: N/A
 TCAC Project Analyst: Diane SooHoo

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI: 8	20%
At or Below 50% AMI (Rural): 10	25%
At or Below 55% AMI (Rural): 12	30%
At or Below 60% AMI: 9	20%

Unit Mix

37 1-Bedroom Units
3 2-Bedroom Units
40 Total Units

<u>Unit Type & Number</u>	<u>2017 Rents Targeted % of Area Median Income</u>	<u>2017 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
7 1 Bedroom	30%	30%	\$495
9 1 Bedroom	50%	50%	\$826
12 1 Bedroom	55%	55%	\$908
9 1 Bedroom	60%	55%	\$908
1 2 Bedrooms	30%	30%	\$594
1 2 Bedrooms	50%	50%	\$991
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$18,476,040

Project Cost Summary at Application

Land and Acquisition	\$1,673,069
Construction Costs	\$10,459,377
Rehabilitation Costs	\$0
Construction Contingency	\$740,475
Relocation	\$0
Architectural/Engineering	\$744,880
Const. Interest, Perm. Financing	\$813,416
Legal Fees, Appraisals	\$76,815
Reserves	\$99,782
Other Costs	\$2,506,029
Developer Fee	\$1,897,628
Commercial Costs	\$0
Total	\$19,011,470

Residential

Construction Cost Per Square Foot:	\$424
Per Unit Cost:	\$475,287
True Cash Per Unit Cost*:	\$442,120

Construction Financing

Source	Amount
Wells Fargo Bank	\$10,511,805
Land Donation	\$1,108,316
SCCDC**	\$3,773,440
Tax Credit Equity	\$2,046,000

Permanent Financing

Source	Amount
CCRC	\$777,300
Land Donation	\$1,108,316
SCCDC**	\$3,773,440
AHP	\$800,000
Deferred Developer Fee	\$218,353
General Partner Equity	\$100
Tax Credit Equity	\$12,333,961
TOTAL	\$19,011,470

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

**Sonoma County Community Development Commission

Determination of Credit Amount(s)

Requested Eligible Basis:	\$11,965,812
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$15,555,556
Applicable Rate:	9.00%
Maximum Annual Federal Credit:	\$1,397,107
Approved Developer Fee in Project Cost:	\$1,897,628
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	\$0.88282

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, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits, unless a waiver has been granted for a purchase price not to exceed the sum of third party debt that will be assumed or paid off. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$11,965,812
Actual Eligible Basis:	\$16,264,053
Unadjusted Threshold Basis Limit:	\$11,691,273
Total Adjusted Threshold Basis Limit:	\$14,298,800

Adjustments to Basis Limit

Local Development Impact Fees
 95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Seniors
Final:	36.866%

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, 3.25%. 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.

Significant Information / Additional Conditions

The sale of entire parcel sold by the Valetti Family to the applicant consists of approx. 3.06 acres where a portion of the parcel is currently an open playfield (1.41 acres) to be transferred to the Sonoma Charter School. The remaining portion (1.65 acres) shall be used to develop the project’s Senior Housing site and Community Garden.

The current legal description is part of a larger site and the project site’s parcel (legal description and APN) have not yet been finalized. The legal description and APN for CA-18-038 must be completed as part of the Readiness to Proceed 180/194-Day package.

Staff noted the developer fee in cost was in excess of the \$1,897,628 limit required by TCAC regulation section 10327(c)(2)(A). The cost was reduced accordingly resulting in a reduction to the federal credit amount recommended for this project.

The project has 8 project-based vouchers (PBVs) from HUD that are Homeless-Dedicated PBVs.

Resyndication and Resyndication Transfer Event: 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, Sonoma County Community Development Commission, has completed a site review of this project and strongly supports this project.

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)(5) 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.

Points System	Max. Possible	Requested Points	Points Awarded
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 (van or dial-a-ride service for rural set-aside)	4	4	4
Within 1 mile of public park or community center open to general public	3	3	3
Within 2 miles of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Within 2 miles of a pharmacy	1	1	1
In-unit high speed internet service	3	3	3
Service Amenities	10	10	10
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
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Energy efficiency beyond CA Building Code Title 24 requirements: 15%	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
Readiness to Proceed	10	10	10
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	113	113	113

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.