

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2018 First Round

June 13, 2018

Eight Trees Apartments, located at 183 Acalanes Drive in Sunnyvale, requested and is being recommended for a reservation of \$1,247,076 in annual federal tax credits to finance the rehabilitation of 23 units of housing serving large families with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by MidPen Housing Corporation and is located in Senate District 13 and Assembly District 24.

Project Number CA-18-047

Project Name Eight Trees Apartments
Site Address: 183 Acalanes Drive
Sunnyvale, CA 94086 County: Santa Clara
Census Tract: 5091.070

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,247,076	\$0
Recommended:	\$1,247,076	\$0

Applicant Information

Applicant: MP Eight Trees LLC
Contact: Jan M. Lindenthal
Address: 303 Vintage Park Drive, Suite 250
Foster City, CA 94404
Phone: 650-356-2919
Email: jlindenthal@midpen-housing.org

General Partner(s) / Principal Owner(s): MP Eight Trees LLC
General Partner Type: Nonprofit
Parent Company(ies): Mid-Peninsula Baker Park, Inc.
Developer: MidPen Housing Corporation
Investor/Consultant: California Housing Partnership Corporation
Management Agent(s): MidPen Property Management Corp

Project Information

Construction Type: Rehabilitation-Only
Total # Residential Buildings: 2
Total # of Units: 24
No. & % of Tax Credit Units: 23 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: N/A

Information

Set-Aside: N/A
 Housing Type: Large Family
 Geographic Area: South and West Bay Region
 TCAC Project Analyst: Marlene McDonough

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI: 3	10%
At or Below 40% AMI: 5	20%
At or Below 50% AMI: 8	30%
At or Below 60% AMI: 7	30%

Unit Mix

8 1-Bedroom Units
10 2-Bedroom Units
6 3-BedroomUnits
24 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>
1 1 Bedroom	30%	30%	\$672
1 2 Bedrooms	30%	30%	\$806
1 3 Bedrooms	30%	30%	\$931
3 1 Bedroom	40%	40%	\$896
2 2 Bedrooms	40%	40%	\$1,074
3 1 Bedroom	50%	50%	\$1,120
1 2 Bedrooms	50%	50%	\$1,343
4 3 Bedrooms	50%	45%	\$1,398
1 1 Bedroom	60%	55%	\$1,232
5 2 Bedrooms	60%	60%	\$1,612
1 3 Bedrooms	60%	50%	\$1,552
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$18,956,520

Project Cost Summary at Application

Land and Acquisition	\$4,226,244
Construction Costs	\$0
Rehabilitation Costs	\$6,622,799
Construction Contingency	\$674,104
Relocation	\$1,432,000
Architectural/Engineering	\$271,301
Const. Interest, Perm. Financing	\$535,127
Legal Fees, Appraisals	\$98,000
Reserves	\$129,658
Other Costs	\$769,556
Developer Fee	\$1,400,000
Commercial Costs	\$0
Total	\$16,158,789

Residential

Construction Cost Per Square Foot:	\$284
Per Unit Cost:	\$673,283
True Cash Per Unit Cost*:	\$673,283

Construction Financing

Source	Amount
Citi Community Capital	\$8,826,822
City of Sunnyvale	\$3,300,000
City of Sunnyvale-Existing Loan	\$1,750,000
Deferred Costs	\$1,274,498
General Partner Equity	\$100
Tax Credit Equity	\$1,007,369

Permanent Financing

Source	Amount
City of Sunnyvale	\$3,300,000
City of Sunnyvale-Existing Loan	\$1,750,000
General Partner Equity	\$100
Tax Credit Equity	\$11,108,689
TOTAL	\$16,158,789

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$10,658,773
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$13,856,405
Applicable Rate:	9.00%
Maximum Annual Federal Credit, Rehabilitation:	\$1,247,076
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,400,000
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.89078

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:	\$10,658,773
Actual Eligible Basis:	\$11,598,283
Unadjusted Threshold Basis Limit:	\$7,779,840
Total Adjusted Threshold Basis Limit:	\$10,658,774

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

- Install bamboo, stained concrete, cork, salvaged or FSC-Certified wood, natural linoleum, natural rubber, or ceramic tile in all common areas where no VOC adhesives or backing is also used

Seismic Upgrading

Environmental Mitigation

Local Development Impact Fees

Highest or High Resource Opportunity Area

Tie-Breaker Information

First:	Large Family
Final:	40.660%

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 estimated cost of the project is \$673,283 per unit. This cost is due in part to the high cost of construction in Sunnyvale which has been experiencing an escalation of construction costs. Additionally, the scope of the rehabilitation is fairly extensive due to the age and condition of the property. Costs associated with the required seismic upgrades and environmental mitigation work also add to the cost per

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, City of Sunnyvale Housing Division, 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 Points	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 ½ mile of public park or community center open to general public	3	3	3
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Vargas Elementary School	2	2	2
Within 1 mile of medical clinic or hospital	2	2	2
Within 1 mile of a pharmacy	1	1	1
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
REHABILITATION			
Rehabilitate to improve energy efficiency (change in HERS II rating): 20%	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.