

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2018 Second Round**

**September 19, 2018**

**REVISED**

Bay Meadows Affordable, located at 2775 S. Delaware Street in San Mateo, requested and is being recommended, if the Committee approves the pending appeal, for a reservation of \$2,500,000 in annual federal tax credits to finance the new construction of 67 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 BRIDGE Housing Corporation and will be located in Senate District 13 and Assembly District 22.

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

**Project Number** CA-18-068

**Project Name** Bay Meadows Affordable

Site Address: 2775 S. Delaware Street  
San Mateo, CA 94403 County: San Mateo

Census Tract: 6075.00

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$2,500,000	\$0
Recommended only if the Committee approves the pending appeal:	\$2,500,000	\$0

**Applicant Information**

Applicant: Bay Meadows Affordable Associates, L.P.

Contact: Smitha Seshadri

Address: 600 California Street, Suite 900  
San Francisco, CA 94108

Phone: (415) 321-3516

Email: sseshadri@bridgehousing.com

General Partner(s) / Principal Owner(s): Bay Meadows Affordable Associates, LLC

General Partner Type: Nonprofit

Parent Company(ies): BRIDGE Housing Corporation

Developer: BRIDGE Housing Corporation

Investor/Consultant: California Housing Partnership Corporation

Management Agent(s): BRIDGE Property Management Company

**Project Information**

Construction Type: New Construction

Total # Residential Buildings: 1

Total # of Units: 68

No. & % of Tax Credit Units: 67 100%

Federal Set-Aside Elected: 40%/60%

Federal Subsidy: HUD Section 8 Project-based Vouchers (34 units - 51%) / HUD VASH Vouchers (12 units - 18%) / CDBG / HOME

**Information**

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

**55-Year Use / Affordability**

<b>Aggregate Targeting</b>	<b>Number of Units</b>	<b>Percentage of Affordable Units</b>
At or Below 30% AMI:	11	15%
At or Below 40% AMI:	7	10%
At or Below 50% AMI:	29	40%
At or Below 60% AMI:	20	25%

**Unit Mix**

32 1-Bedroom Units
19 2-Bedroom Units
17 3-BedroomUnits
<b>68 Total Units</b>

<b>Unit Type &amp; Number</b>	<b>2018 Rents Targeted % of Area Median Income</b>	<b>2018 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
5 1 Bedroom	30%	30%	\$825
3 2 Bedrooms	30%	30%	\$990
3 3 Bedrooms	30%	30%	\$1,143
3 1 Bedroom	40%	40%	\$1,100
1 2 Bedrooms	40%	40%	\$1,320
1 2 Bedrooms	40%	40%	\$1,320
2 3 Bedrooms	40%	40%	\$1,525
17 1 Bedroom	50%	50%	\$1,375
7 2 Bedrooms	50%	50%	\$1,650
5 3 Bedrooms	50%	50%	\$1,906
7 1 Bedroom	60%	60%	\$1,650
6 2 Bedrooms	60%	60%	\$1,980
7 3 Bedrooms	60%	60%	\$2,287
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$73,319,400

**Project Cost Summary at Application**

Land and Acquisition	\$8,671,149
Construction Costs	\$36,470,083
Rehabilitation Costs	\$0
Construction Contingency	\$2,598,014
Relocation	\$0
Architectural/Engineering	\$2,008,583
Const. Interest, Perm. Financing	\$4,444,296
Legal Fees, Appraisals	\$100,000
Reserves	\$477,122
Other Costs	\$3,929,403
Developer Fee	\$1,540,763
Commercial Costs	\$0
<b>Total</b>	<b>\$60,239,413</b>

**Residential**

Construction Cost Per Square Foot:	\$449
Per Unit Cost:	\$885,874
True Cash Per Unit Cost*:	\$767,933

**Construction Financing**

Source	Amount
Silicon Valley Bank	\$37,801,000
City of San Mateo - Land Lease Value	\$8,020,000
City of San Mateo	\$2,000,000
San Mateo County - AHF	\$7,000,000
San Mateo County - CDBG/HOME	\$1,738,413
Deferred Costs	\$1,304,339
Tax Credit Equity	\$2,375,661

**Permanent Financing**

Source	Amount
CCRC - Tranche A**	\$4,095,000
CCRC - Section 8 Tranche B**	\$12,121,000
City of San Mateo - Land Lease Value	\$8,020,000
City of San Mateo	\$2,670,000
San Mateo County - AHF	\$7,000,000
San Mateo County - CDBG/HOME	\$1,738,413
Tax Credit Equity	\$24,595,000
<b>TOTAL</b>	<b>\$60,239,413</b>

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

\*\*California Community Reinvestment Corporation Loan

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$21,394,194
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$27,812,452
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,500,000
Approved Developer Fee in Project Cost:	\$1,540,763
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.98380

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:	\$21,394,194
Actual Eligible Basis:	\$48,461,083
Unadjusted Threshold Basis Limit:	\$26,646,048
Total Adjusted Threshold Basis Limit:	\$37,677,721

**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

- Project subject to a project labor agreement or Project will use skilled and trained workforce performing within an apprenticeable occupation.

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

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

**Tie-Breaker Information**

First:	<b>Large Family</b>
Final:	<b>65.451%</b>

**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. 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:**

TCAC staff initially disqualified the project for not meeting the 3 bedroom large family housing type threshold. At the September 19, 2018 Committee Meeting, the Committee granted the applicant's appeal of staff's disqualification. TCAC staff reassigned the 3 bedroom managers unit as a low income unit and substituted the manager's unit with a 2 bedroom unit.

Development costs are roughly \$767,933 per unit. The factors affecting this cost includes high real estate costs, high costs for an infill site, escalating construction costs, prevailing wages subject to a Project Labor Agreement, four stories of housing over subterranean parking, high development impact fees, and a solar hot water system.

**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, the City of San Mateo, 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.

<b>Points System</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Owner / Management Characteristics</b>	<b>9</b>	<b>9</b>	<b>9</b>
General Partner Experience	6	6	6
Management Experience	3	3	3
<b>Housing Needs</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Site Amenities</b>	<b>15</b>	<b>15</b>	<b>15</b>
Within ½ mile of transit, service every 30 minutes in rush hours	5	5	5
Within ½ mile of public park or community center open to general public	3	3	3
Within 1 mile of public library	2	2	2
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Within 3/4 mile of a public elementary school	2	2	2
Within 1 mile of medical clinic or hospital	2	2	2
Within ½ mile of a pharmacy	2	2	2
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
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
<b>Sustainable Building Methods</b>	<b>5</b>	<b>5</b>	<b>5</b>
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements: GreenPoint Rated Program	5	5	5
<b>Lowest Income</b>	<b>52</b>	<b>52</b>	<b>52</b>
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Miscellaneous Federal and State Policies</b>	<b>2</b>	<b>2</b>	<b>2</b>
State Credit Substitution	2	2	2
<b>Total Points</b>	<b>113</b>	<b>113</b>	<b>113</b>

**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.**