

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**October 17, 2018**

Arroyo Green Apartments, located at 707-777 Bradford Street in Redwood City, requested and is being recommended for a reservation of \$2,778,765 in annual federal tax credits to finance the new construction of 116 units of housing serving seniors with rents affordable to households earning 35%-60% of area median income (AMI). The project will be developed by MidPen 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 Project-based Vouchers. The project financing includes state funding from the Infill Infrastructure Grant (IIG) program of HCD.

**Project Number** CA-18-629

**Project Name** Arroyo Green Apartments  
 Site Address: 707-777 Bradford Street  
 Redwood City, CA 94063 County: San Mateo  
 Census Tract: 6102.02

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$2,778,765	\$0
Recommended:	\$2,778,765	\$0

**Applicant Information**

Applicant: MP Bradford Associates, L.P.  
 Contact: Mollie Naber  
 Address: 303 Vintage Park Drive, Suite 250  
 Foster City, CA 94404  
 Phone: (650) 356-2996  
 Email: mollie.naber@midpen-housing.org

General Partner(s) or Principal Owner(s): MP Bradford Senior Housing, LLC  
 General Partner Type: Nonprofit  
 Parent Company(ies): MidPen Housing Corporation  
 Developer: MidPen Housing Corporation  
 Investor/Consultant: California Housing Partnership Corporation  
 Management Agent: MidPen Property Management Corporation

**Project Information**

Construction Type: New Construction  
Total # Residential Buildings: 1  
Total # of Units: 117  
No. / % of Low Income Units: 116 100.00%  
Federal Set-Aside Elected: 40%/60%  
Federal Subsidy: Tax-Exempt / CDBG / HOME / HUD Project-based Vouchers  
(89 Units / 76%) and HUD VASH Project-based Vouchers  
(10 Units / 8%)

**Bond Information**

Issuer: California Municipal Finance Authority  
Expected Date of Issuance: March 1, 2019

**Information**

Housing Type: Seniors  
Geographic Area: South and West Bay Region  
TCAC Project Analyst: Carmen Doonan

**55-Year Use / Affordability**

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 35% AMI: 13	11%
At or Below 60% AMI: 103	89%

**Unit Mix**

29 SRO/Studio Units  
83 1-Bedroom Units  
5 2-Bedroom Units  

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117 Total Units

<u>Unit Type &amp; Number</u>	<u>2018 Rents Targeted % of Area Median Income</u>	<u>2018 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
3 SRO/Studio	35%	30%	\$770
9 1 Bedroom	35%	30%	\$825
1 2 Bedrooms	35%	30%	\$990
6 SRO/Studio	60%	30%	\$770
16 1 Bedroom	60%	30%	\$825
4 SRO/Studio	60%	40%	\$1,026
26 1 Bedroom	60%	40%	\$1,100
3 2 Bedrooms	60%	40%	\$1,320
16 SRO/Studio	60%	50%	\$1,283
15 1 Bedroom	60%	50%	\$1,375
17 1 Bedroom	60%	40%	\$1,099
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$153,100,860

**Project Cost Summary at Application**

Land and Acquisition	\$621,427
Construction Costs	\$47,445,412
Rehabilitation Costs	\$0
Construction Contingency	\$2,418,713
Relocation	\$0
Architectural/Engineering	\$1,563,241
Const. Interest, Perm. Financing	\$4,589,619
Legal Fees, Appraisals	\$105,883
Reserves	\$892,030
Other Costs	\$3,206,124
Developer Fee	\$8,612,133
Commercial Costs	\$4,592,591
<b>Total</b>	<b>\$74,047,173</b>

**Residential**

Construction Cost Per Square Foot:	\$6,464
Per Unit Cost:	\$587,996
True Cash Per Unit Cost*:	\$535,490

**Construction Financing**

<u>Source</u>	<u>Amount</u>
Bank of America	\$48,770,000
County of San Mateo - CDBG, HOME	\$1,212,302
HCD - IIG	\$1,500,000
City of Redwood City	\$700,000
County of San Mateo - AHF 4.0	\$2,500,000
County of San Mateo - AHF 5.0	\$3,994,726
County of San Mateo - AHF 6.0	\$2,697,020
Accrued Interest on Soft Loans	\$202,664
AHP	\$1,100,000
Deferred Developer Fee	\$4,298,269
Tax Credit Equity	\$2,616,202

**Permanent Financing**

<u>Source</u>	<u>Amount</u>
Bank of America	\$25,508,700
County of San Mateo - CDBG, HOME	\$1,859,413
HCD - IIG	\$1,500,000
City of Redwood City	\$700,000
County of San Mateo - AHF 4.0	\$2,500,000
County of San Mateo - AHF 5.0	\$3,994,726
County of San Mateo - AHF 6.0	\$2,697,020
Accrued Interest on Soft Loans	\$202,664
AHP	\$1,100,000
Deferred Developer Fee	\$6,612,132
Tax Credit Equity	\$27,372,518
<b>TOTAL</b>	<b>\$74,047,173</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$65,367,314
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$84,977,508
Applicable Rate:	3.27%
Total Maximum Annual Federal Credit:	\$2,778,765
Approved Developer Fee in Project Cost:	\$8,612,133
Approved Developer Fee in Eligible Basis:	\$7,953,095
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.98506

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, 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. 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:	\$65,367,314
Actual Eligible Basis:	\$65,367,314
Unadjusted Threshold Basis Limit:	\$43,542,680
Total Adjusted Threshold Basis Limit:	\$65,920,143

**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

Local Development Impact Fees

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 22%

**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 3.27% 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**

Staff noted the estimated cost of the project is \$535,490 per unit. This is due in part to the cost of construction, the project's high density high-rise construction, including two levels of Type I concrete construction to accommodate the parking podium, and the requirement to pay federal and state prevailing wages.

**Resyndication and Resyndication Transfer Event:** None

**Local Reviewing Agency**

The Local Reviewing Agency, City of Redwood, has completed a site review of this project and strongly supports this project.

**Standard Conditions**

If applicant is receiving tax-exempt bond financing from other than CalHFA, the applicant shall apply for a bond allocation from the California Debt Limit Allocation Committee’s next scheduled meeting, if not previously granted an allocation; shall have received an allocation from CDLAC; and, shall issue bonds within time limits specified by CDLAC.

The applicant anticipates financing more than 50% of the project aggregate basis with tax-exempt bond proceeds as calculated by the project tax professional. Therefore, the federal credit reserved for this project will not count against the annual ceiling.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

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 reservation 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.

**CDLAC Additional Conditions:** None