

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
2018 Waiting List Project
November 14, 2018**

Chestnut Square Family Housing, located at 1665 Chestnut Street in Livermore, requested and is being recommended for a reservation of \$2,165,981 in annual federal tax credits to finance the new construction of 41 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 will be located in Senate District 7 and Assembly District 16.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers from the City of Livermore Housing Authority and HUD Section 811 Project Rental Assistance Demonstration (PRA) Contract through CalHFA.

Project Number CA-18-135
Project Name Chestnut Square Family Housing
Site Address: 1665 Chestnut Street
Livermore, CA 94551 County: Alameda
Census Tract: 4514.040

| Tax Credit Amounts | Federal/Annual | State/Total |
|---------------------------|-----------------------|--------------------|
| Requested: | \$2,165,981 | \$0 |
| Recommended: | \$2,165,981 | \$0 |

Applicant Information

Applicant: Chestnut Square Family Associates, L.P.
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 Chestnut Square Family LLC
General Partner Type: Nonprofit
Parent Company(ies): MidPen Housing Corporation
Developer: MidPen Housing Corporation
Investor/Consultant: California Housing Partnership Corporation
Management Agent(s): MidPen Property Management Corporation

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 42
No. & % of Tax Credit Units: 41 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: HUD Section 8 Project-based Vouchers (10 units - 24%)

HUD Section 811 PRA Contract (8 units - 20%)

Information

Set-Aside: N/A
 Housing Type: Large Family
 Geographic Area: East Bay Region
 TCAC Project Analyst: Diane SooHoo

55-Year Use / Affordability

| Aggregate Targeting | Number of Units | Percentage of Affordable Units |
|----------------------|-----------------|--------------------------------|
| At or Below 30% AMI: | 6 | 10% |
| At or Below 40% AMI: | 9 | 20% |
| At or Below 50% AMI: | 18 | 40% |
| At or Below 60% AMI: | 8 | 15% |

Unit Mix

4 1-Bedroom Units
 22 2-Bedroom Units
 16 3-Bedroom Units
 42 Total Units

| Unit Type & Number | 2018 Rents Targeted % of Area Median Income | 2018 Rents Actual % of Area Median Income | Proposed Rent (including utilities) |
|--------------------|---|---|-------------------------------------|
| 1 1 Bedroom | 30% | 30% | \$654 |
| 2 2 Bedrooms | 30% | 30% | \$784 |
| 1 2 Bedrooms | 30% | 30% | \$784 |
| 2 3 Bedrooms | 30% | 30% | \$906 |
| 2 1 Bedroom | 40% | 20% | \$436 |
| 4 2 Bedrooms | 40% | 20% | \$523 |
| 3 3 Bedrooms | 40% | 20% | \$604 |
| 1 2 Bedrooms | 50% | 40% | \$1,046 |
| 2 3 Bedrooms | 50% | 40% | \$1,208 |
| 1 1 Bedroom | 50% | 30% | \$654 |
| 2 2 Bedrooms | 50% | 30% | \$784 |
| 7 2 Bedrooms | 50% | 50% | \$1,307 |
| 5 3 Bedrooms | 50% | 50% | \$1,510 |
| 2 2 Bedrooms | 60% | 30% | \$784 |
| 2 2 Bedrooms | 60% | 60% | \$1,569 |
| 4 3 Bedrooms | 60% | 60% | \$1,812 |
| 1 2 Bedrooms | Manager's Unit | Manager's Unit | \$0 |

TCAC-confirmed Projected Lifetime Rent Benefit: \$37,783,680

Project Cost Summary at Application

| | |
|----------------------------------|---------------------|
| Land and Acquisition | \$4,318,319 |
| Construction Costs | \$23,002,439 |
| Rehabilitation Costs | \$0 |
| Construction Contingency | \$1,150,605 |
| Relocation | \$0 |
| Architectural/Engineering | \$1,496,560 |
| Const. Interest, Perm. Financing | \$1,879,467 |
| Legal Fees, Appraisals | \$102,500 |
| Reserves | \$573,599 |
| Other Costs | \$3,420,530 |
| Developer Fee | \$1,565,320 |
| Commercial Costs | \$0 |
| Total | \$37,509,339 |

Residential

| | |
|------------------------------------|-----------|
| Construction Cost Per Square Foot: | \$568 |
| Per Unit Cost: | \$893,080 |
| True Cash Per Unit Cost*: | \$805,790 |

Construction Financing

| Source | Amount |
|--------------------------------------|--------------|
| Wells Fargo | \$20,023,000 |
| City of Livermore | \$5,269,192 |
| City of Livermore - Seller Carryback | \$2,730,000 |
| City of Livermore - Fee Waiver | \$770,819 |
| Alameda County - A1 Bond Funds | \$4,286,746 |
| Alameda County - Boomerang Funds | \$185,000 |
| AHP | \$410,000 |
| Costs Deferred until Perm Closing | \$1,531,270 |
| Deferred Developer Fee | \$165,320 |
| Tax Credit Equity | \$2,137,992 |

Permanent Financing

| Source | Amount |
|--------------------------------------|---------------------|
| CCRC - Tranche B | \$1,966,000 |
| CCRC - Tranche C | \$1,272,000 |
| City of Livermore | \$5,269,192 |
| City of Livermore - Seller Carryback | \$2,730,000 |
| City of Livermore - Fee Waiver | \$770,819 |
| Alameda County - A1 Bond Funds | \$4,286,746 |
| Alameda County - Boomerang Fund | \$185,000 |
| AHP | \$410,000 |
| Deferred Developer Fee | \$165,320 |
| Tax Credit Equity | \$20,454,262 |
| TOTAL | \$37,509,339 |

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

Determination of Credit Amount(s)

| | |
|---|--|
| Requested Eligible Basis: | \$18,512,662 |
| 130% High Cost Adjustment: | Yes |
| Applicable Fraction: | 100.00% |
| Qualified Basis: | \$24,066,461 |
| Applicable Rate: | 9.00% |
| Total Maximum Annual Federal Credit: | \$2,165,981 |
| Approved Developer Fee in Project Cost: | \$1,565,320 |
| Approved Developer Fee in Eligible Basis: | \$1,400,000 |
| Investor/Consultant: | California Housing Partnership Corporation |
| Federal Tax Credit Factor: | \$0.94434 |

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: | \$18,512,662 |
| Actual Eligible Basis: | \$29,833,109 |
| Unadjusted Threshold Basis Limit: | \$15,900,372 |
| Total Adjusted Threshold Basis Limit: | \$24,354,295 |

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:

- Project has onsite renewable generation estimated to produce 50% or more of annual tenant electricity use as indicated in TCAC Regulations.
- 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

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

| | |
|--------|---------------------|
| First: | Large Family |
| Final: | 46.865% |

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

Significant Information / Additional Conditions

The project is phase 2 of a master development project on a 4.31-acre site in downtown Livermore comprised of three housing developments. The master development includes 72 units of affordable senior rental housing, 42 units of affordable large family rental housing, and 44 market rate for sale townhomes. The 72 units of senior housing is phase 1 of the development (Chestnut Square Senior Housing CA-17-047), the 42 units of large family housing is phase 2 (Chestnut Square Family Housing CA-18-135). The market rate town homes will be sold to a market rate developer.

Development costs for the project are roughly \$893,079 per unit. The per unit cost is attributed to high real estate costs for the area. Additionally, the project is building a 14-foot sound wall to mitigate noise disturbances caused from passing trains from railroad tracks located south of the project site.

The project's rental subsidy includes HUD Section 8 Project-based Vouchers from the Housing Authority of City of Livermore and HUD Section 811 Project Rental Assistance Demonstration program contract from

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-18-135 must be completed as part of the Readiness to Proceed 180/194-Day package.

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 Livermore, 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

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, service every 30 min, 25 units/acre density | 7 | 7 | 7 |
| Within ½ mile of public park or community center open to general public | 3 | 3 | 3 |
| Within ½ mile of public library | 3 | 3 | 3 |
| Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf | 5 | 5 | 5 |
| Within ½ mile of a pharmacy | 2 | 2 | 2 |
| 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 | | | |
| Develop project in accordance w/ requirements: GreenPoint Rated Program | 5 | 5 | 5 |
| Lowest Income | 52 | 52 | 52 |
| Basic Targeting | 50 | 52 | 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.