CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 12, 2018

Shorebreeze Expansion, located at 460 North Shoreline Boulevard in Mountain View, requested and is being recommended for a reservation of $1,519,880 in annual federal tax credits to finance the new construction of 61 units of housing serving tenants with rents affordable to households earning 50-80% 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 24.

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

Project Number CA-18-628

Project Name Shorebreeze Expansion

Site Address:	460 N. Shoreline Boulevard	
	Mountain View, CA 94043	County: Santa Clara
Census Tract:	5092.02	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,519,880	$0
Recommended:	$1,519,880	$0

Applicant Information

Applicant:	MP Shorebreeze Expansion LLC
Contact:	Jan M. Lindenthal
Address:	303 Vintage Park Drive, Suite 250 Foster City, CA 94404
Phone:	650-256-2919
Email:	jlindenthal@midpen-housing.org

General Partner(s) or Principal Owner(s):	MP Shorebreeze Expansion 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:	2
Total # of Units:	62
No. / % of Low Income Units:	61 100.00%
Federal Set-Aside Elected:	40%/60% Average Income
Federal Subsidy:	Tax-Exempt/ HUD Section 8 Project-based Vouchers (20 units - 33%)/ HUD Section 8 Project-based Contract (12 units - 20%)/ HOME

Bond Information

Issuer:	California Municipal Finance Agency
Expected Date of Issuance:	February 1, 2019

Information

Housing Type:	Non-Targeted
Geographic Area:	South and West Bay Region
TCAC Project Analyst:	Diane SooHoo

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
At or Below 50% AMI:	31	51%
At or Below 60% AMI:	28	46%
At or Below 80% AMI:	2	3%

Unit Mix

21	SRO/Studio Units
21	1-Bedroom Units
8	2-Bedroom Units
12	3-Bedroom Units
62	Total Units

Unit Type & Number		2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
11	SRO/Studio	50%	50%	$1,163
10	1 Bedroom	50%	50%	$1,246
4	2 Bedrooms	50%	50%	$1,496
6	3 Bedrooms	50%	50%	$1,729
1	SRO/Studio	60%	50%	$1,163
2	1 Bedroom	60%	50%	$1,246
9	SRO/Studio	60%	60%	$1,396
8	1 Bedroom	60%	60%	$1,495
4	2 Bedrooms	60%	60%	$1,795
4	3 Bedrooms	60%	50%	$1,729
2	3 Bedrooms	80%	50%	$1,729
1	1 Bedroom	Manager’s Unit	Manager’s Unit	$0

TCAC-confirmed Projected Lifetime Rent Benefit: $74,058,600

Project Cost Summary at Application	
Land and Acquisition	$2,445,011
Construction Costs	$24,089,932
Rehabilitation Costs	$0
Construction Contingency	$1,219,747
Relocation	$769,133
Architectural/Engineering	$1,799,122
Const. Interest, Perm. Financing	$2,582,719
Legal Fees, Appraisals	$137,500
Reserves	$389,678
Other Costs	$2,439,790
Developer Fee	$4,663,496
Commercial Costs	$0
Total	**$40,536,128**

Residential

Construction Cost Per Square Foot:	$471
Per Unit Cost:	$653,809
True Cash Per Unit Cost*:	$618,915

Construction Financing

Source	Amount
Union Bank - Tax Exempt Bonds	$26,762,500
City of Mountain View[1]	$421,403
City of Mountain View[2]	$6,960,220
Housing Trust of Silicon Valley	$500,000
Accrued Deferred Interest	$254,233
Deferred Developer Fee	$2,163,396
Deferred Costs	$2,049,646
General Partner Equity	$100
Tax Credit Equity	$1,424,630

Permanent Financing

Source	Amount
Union Bank - Tranche A	$11,157,541
Union Bank - Tranche B	$3,118,000
City of Mountain View[1]	$421,403
City of Mountain View[2]	$7,640,155
Housing Trust of Silicon Valley	$500,000
Accrued Deferred Interest	$254,233
Deferred Developer Fee	$2,163,396
General Partner Equity	$100
Tax Credit Equity	$15,281,300
TOTAL	**$40,536,128**

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee
[1]HOME - Community Housing Development Organization
[2]Rental Housing Impact Fund

Determination of Credit Amount(s)

Requested Eligible Basis:	$35,753,467
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	$46,479,507
Applicable Rate:	3.27%
Total Maximum Annual Federal Credit:	$1,519,880
Approved Developer Fee (in Project Cost & Eligible Basis):	$4,663,496
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	$1.00543

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:	$35,753,467
Actual Eligible Basis:	$35,753,467
Unadjusted Threshold Basis Limit:	$21,453,312
Total Adjusted Threshold Basis Limit:	$38,615,961

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

95% of Upper Floor Units are Elevator-Serviced

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 50%

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

The project site is a portion of a 5.34 acre property with 120 units of existing LIHTC affordable housing (CA-97-952). Of the 5.34 acres, 0.799 acres will be parceled out for this project's new construction. Prior to the project placing in service, all lot line adjustments shall be completed followed by a Partial Termination Agreement to the existing Regulatory Agreement (CA-97-952). A new legal description will be established and the existing Regulatory Agreement (CA-97-952) will be amended to reduce to the number of units (from 120 units to 108 units) and buildings (from 5 buildings to 3 buildings). Two buildings consisting of twelve (12) existing units will be demolished, leaving a remaining 108 units to be privately refinanced and rehabilitated separately from this project. The project's new construction will provide 12 new replacement units that will be part of the 61 newly constructed units of this project. At the time of this project's construction closing, a regulatory agreement will be executed by the applicant and TCAC for 12 units, the same income levels and bedroom count as the units being demolished. TCAC will not enforce the new regulatory agreement as long as construction proceeds to completion. There will be no grandfathering of tenants between the two projects as CA-18-628 is a separate new construction project.

Development costs are roughly $653,809 per unit. The applicant noted that the high per unit cost is attributed to construction costs for demolition of 12 existing units, tenant relocation costs, photovoltaic system hard costs, and requirements of San Francisco Public Utilities Commission ("SFPUC") for site improvements and parking additions on the SFPUC easement adjacent to the Shorebreeze Expansion site.

Resyndication and Resyndication Transfer Event: None

Local Reviewing Agency
The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

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