

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2019 First Round

June 12, 2019

Corvin Apartments, located at 2904 Corvin Drive in Santa Clara, requested and is being recommended for a reservation of \$2,577,691 in annual federal tax credits and \$7,811,182 in total state tax credits to finance the new construction of 144 units of housing serving special needs tenants with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Allied Housing, Inc. and will be located in Senate District 10 and Assembly District 25.

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

Project Number CA-19-701

Project Name Corvin Apartments
Site Address: 2904 Corvin Drive
Santa Clara, CA 95051 County: Santa Clara
Census Tract: 5087.040

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$2,577,691	\$7,811,182
Recommended:	\$2,577,691	\$7,811,182

* The applicant made an irrevocable election to sell (Certificate) all or any portion of the state credits.

Applicant Information

Applicant: Allied Housing, Inc.
Contact: Jon White, Director of Real Estate Development
Address: 40849 Fremont Blvd
Fremont, CA 94538
Phone: (408)941-1851
Email: jwhite@abodeservices.org

General Partner(s) / Principal Owner(s):	Allied 2904 Corvin LLC
General Partner Type:	Nonprofit
Parent Company(ies):	Allied Housing, Inc.
Developer:	Allied Housing, Inc.
Investor/Consultant:	Community Economics
Management Agent:	John Stewart Company

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 145
 No. / % of Low Income Units: 144 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / Section 8 Project Based Vouchers (80 units - 56%)

Bond Information

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

Information

Housing Type: Special Needs
 Type of Special Needs: Homeless / Formerly homeless
 Average Targeted Affordability of Special Needs/SRO Project Units: 39.86%
 % of Special Need Units: 80 units - 56%
 Geographic Area: South and West Bay
 TCAC Project Analyst: Marlene McDonough

55-Year Use / Affordability

Aggregate Targeting Number of Units	Percentage of Affordable Units
At or Below 30% AMI: 80	55%

Unit Mix

144 SRO/Studio Units
1 2-Bedroom Units
145 Total Units

Unit Type & Number	2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
80 SRO/Studio	30%	15%	\$348
50 SRO/Studio	50%	50%	\$1,163
14 SRO/Studio	60%	50%	\$1,163
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$10,355,553
Construction Costs	\$41,566,642
Rehabilitation Costs	\$0
Contingency Costs	\$4,456,664
Relocation	\$0
Architectural/Engineering	\$2,031,700
Const. Interest, Perm. Financing	\$4,196,229
Legal Fees	\$130,000
Reserves	\$2,323,900
Other Costs	\$5,843,277
Developer Fee	\$4,500,000
Commercial Costs	\$0
Total	\$75,403,964

Residential

Construction Cost Per Square Foot:	\$765
Per Unit Cost:	\$520,027
True Cash Per Unit Cost*:	\$442,786

Construction Financing

Source	Amount
Citibank	\$39,017,000
Santa Clara County Land Donation	\$9,500,000
Santa Clara County Predevelopment	\$1,500,000
Santa Clara County Loan	\$18,000,000
Tax Credit Equity	\$2,000,000

Permanent Financing

Source	Amount
Citibank	\$10,070,800
Santa Clara County Land Donation	\$9,500,000
Santa Clara County Predevelopment	\$1,500,000
Santa Clara County Loan	\$18,000,000
City of Santa Clara	\$5,000,000
Deferred Developer Fee	\$1,700,000
General Partner Equity	\$300,000
Tax Credit Equity	\$29,333,164
TOTAL	\$75,403,964

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$60,086,032
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$78,111,842
Applicable Rate:	3.30%
Total Maximum Annual Federal Credit:	\$2,577,691
Total State Credit:	\$7,811,182
Approved Developer Fee (in Project Cost & Eligible Basis):	\$4,500,000
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	\$0.89554
State Tax Credit Factor:	\$0.80000

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:	\$60,086,032
Actual Eligible Basis:	\$60,086,032
Unadjusted Threshold Basis Limit:	\$41,061,712
Total Adjusted Threshold Basis Limit:	\$112,509,090

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: 34%
55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 110%

Tie-Breaker Information

Final: N/A

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 meet or 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 3.30% 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

Development costs are roughly \$533,683 per unit. The factors affecting this cost includes high real estate and construction costs for the area.

The property was purchased by the applicant/developer in 2018 with an appraised value of \$9,500,000. The property will be sold to Santa Clara County for the pre-entitlement appraised value of \$9,500,000 and will be leased to the project for \$1 per year. The TCAC application included a land donation value of \$11,480,000 in the project budget, which takes into account entitlement work done by the applicant/developer. The entitlement work is not eligible to be counted as land donation value. As a result, staff excluded the \$1,980,000 from the land donation value and reduced the donation value to \$9,500,000.

The proposed rents do not include any utility allowance. The owner will pay for all utilities.

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, Santa Clara County, 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.

The applicant must submit all documentation required for any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation.

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 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.

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.

CDLAC Additional Conditions

The applicant/owner is required to provide the tenants with the following service amenities free of charge for a minimum of fifteen (15) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC:

- Contract with a full time equivalent bona fide service coordinator / social worker for a minimum number of hours per year off-site within 1/2 mile

The applicant/owner is required to complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The project commits to becoming certified under Leadership in Energy & Environmental Design (LEED); Green Communities / Passive House Institute US (PHIUS) / Passive House / Living Building Challenge / GreenPoint Rated Multifamily Guidelines / WELL
- The project commits to a parking ratio equivalent of 1 parking stall or less per SRO and 1-bedroom restricted rental units, and 1.5 parking stall or less per 2-bedroom and larger restricted rental units.

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 minutes in rush hours	5	5	5
Within ¾ mile of public park or community center open to general public	2	2	2
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Special Needs project within 1 mile of facility serving tenant population	2	2	2
Within 1 mile of medical clinic or hospital	2	2	2
Within ½ mile of a pharmacy	2	2	2
In-unit high speed internet service	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
Other Services Specialist, 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
SPECIAL NEEDS HOUSING TYPE			
Case Manager, minimum ratio of 1 FTE to 100 bedrooms	5	5	5
Service Coordinator/Other Services Specialist, min. 1 FTE per 360 bdrms	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	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed	10	10	10
Total Points	111	111	111

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.