

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

October 16, 2019

950 ECR, located at 950 West El Camino Real in Mountain View, requested and is being recommended for a reservation of \$1,512,571 in annual federal tax credits to finance the new construction of 70 units of housing serving tenants with rents affordable to households earning 50%-70% of area median income (AMI). The project will be developed by Palo Alto Housing Corporation and will be located in Senate District 13 and Assembly District 24.

Project Number CA-19-566

Project Name 950 ECR
Site Address: 950 W. El Camino Real
Mountain View, CA 94040 County: Santa Clara
Census Tract: 5096.00

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,514,571	\$0
Recommended:	\$1,514,571	\$0

Applicant Information

Applicant: 950 El Camino Real, L.P.
Contact: Randy Tsuda
Address: 2595 East Bayshore Road, Suite 200
Palo Alto, CA 94303
Phone: 650.321.9709
Email: rtsuda@pah.community

General Partner(s) or Principal Owner(s): 950 ECR, LLC
General Partner Type: Nonprofit
Parent Company(ies): Palo Alto Housing Corporation
Developer: Palo Alto Housing Corporation
Investor/Consultant: California Housing Partnership
Management Agent: PAHC Management & Services Corporation

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 71
No. / % of Low Income Units: 70 100.00%
Federal Set-Aside Elected: 40%/60% Average Income
Federal Subsidy: Tax-Exempt / CDBG

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: January 15, 2020

Information

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

55-Year Use / Affordability

Aggregate Targeting		Percentage of
Number of Units		Affordable Units
50% AMI:	39	56%
70% AMI:	31	44%

Average Income Project (70% and/or 80% AMI Units): 59% AMI targeted average or less is required

Unit Mix

70 SRO/Studio Units
 1 2-Bedroom Units

 71 Total Units

Unit Type & Number	2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
39 SRO/Studio	50%	50%	\$1,281
31 SRO/Studio	70%	70%	\$1,793
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$9,643,229
Construction Costs	\$24,214,990
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$1,125,030
Soft Cost Contingency	\$310,000
Relocation	\$0
Architectural/Engineering	\$1,859,745
Const. Interest, Perm. Financing	\$2,336,742
Legal Fees	\$105,000
Reserves	\$270,076
Other Costs	\$1,583,356
Developer Fee	\$4,604,959
Commercial Costs	\$0
Total	\$46,053,127

Residential

Construction Cost Per Square Foot:	\$496
Per Unit Cost:	\$648,636
True Cash Per Unit Cost*:	\$618,990

Construction Financing

Source	Amount
Union Bank	\$25,500,000
City of Mountain View	\$14,683,446
City of Mountain View - CDBG	\$352,005
Costs Deferred Until Conversion	\$2,079,186
Deferred Developer Fee	\$2,104,859
General Partner Equity	\$100
Limited Partner Equity	\$1,333,532

Permanent Financing

Source	Amount
Union Bank	\$6,363,000
City of Mountain View	\$22,772,844
City of Mountain View - CDBG	\$352,005
Deferred Developer Fee	\$2,104,859
General Partner Equity	\$100
Tax Credit Equity	\$14,460,319
TOTAL	\$46,053,127

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$35,304,686
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$45,896,092
Applicable Rate:	3.30%
Total Maximum Annual Federal Credit:	\$1,514,571
Approved Developer Fee (in Project Cost & Eligible Basis):	\$4,604,959
Investor/Consultant:	California Housing Partnership
Federal Tax Credit Factor:	\$0.95475

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:	\$35,304,686
Actual Eligible Basis:	\$35,304,686
Unadjusted Threshold Basis Limit:	\$20,162,410
Total Adjusted Threshold Basis Limit:	\$39,316,700

Adjustments to Basis Limit

Required to Pay State or Federal Prevailing Wages

95% of Upper Floor Units are Elevator-Serviced

Highest or High Resource Opportunity Area

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are

Income Targeted between 50% AMI & 36% AMI: 55%

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: None

Resyndication and Resyndication Transfer Event: None

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.

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

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.