

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
January 15, 2020**

Firehouse Square, located at 1300 El Camino Real in Belmont, requested and is being recommended for a reservation of \$2,348,601 in annual federal tax credits and \$6,778,311 in total state tax credits to finance the new construction of 65 units of housing serving large families with rents affordable to households earning 30%-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 22.

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

Project Number CA-20-406

Project Name Firehouse Square
Site Address: 1300 El Camino Real
Belmont, CA 94002 County: San Mateo
Census Tract: 6090.00

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$2,348,601	\$6,778,311
Recommended:	\$2,348,601	\$6,778,311

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

Applicant Information

Applicant: MP Firehouse Square LLC
Contact: Phoebe Mayor Das
Address: 303 Vintage Park Drive, Suite 250
Foster City, CA 94404
Phone: 650-356-2900
Email: phoebe.mayor@midpen-housing.org

General Partner(s) or Principal Owner(s): MP Firehouse Square 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: 66
No. / % of Low Income Units: 65 100.00%
Federal Set-Aside Elected: 40%/60% Average Income
Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (33 Units - 50%)

Bond Information

Issuer: California Municipal Finance Authority
Expected Date of Issuance: June 1, 2020

Information

Housing Type: Large Family
Geographic Area: South and West Bay Region
TCAC Project Analyst: Sara Dixon

55-Year Use / Affordability

<u>Aggregate Targeting</u> <u>Number of Units</u>	<u>Percentage of</u> <u>Affordable Units</u>
30% AMI: 11	17%
50% AMI: 33	51%
60% AMI: 5	8%
80% AMI: 16	25%

Unit Mix

18 SRO/Studio Units
12 1-Bedroom Units
19 2-Bedroom Units
17 3-Bedroom Units
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66 Total Units

<u>Unit Type & Number</u>	<u>2019 Rents Targeted % of Area Median Income</u>	<u>2019 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
5 SRO/Studio	30%	27%	\$770
2 1 Bedroom	30%	27%	\$825
2 2 Bedrooms	30%	27%	\$990
2 3 Bedrooms	30%	27%	\$1,143
10 SRO/Studio	50%	45%	\$1,283
5 1 Bedroom	50%	45%	\$1,375
9 2 Bedrooms	50%	46%	\$1,650
9 3 Bedrooms	50%	45%	\$1,906
3 SRO/Studio	60%	55%	\$1,540
1 1 Bedroom	60%	55%	\$1,650
1 2 Bedrooms	60%	55%	\$1,980
4 1 Bedroom	80%	73%	\$2,200
6 2 Bedrooms	80%	73%	\$2,640
6 3 Bedrooms	80%	73%	\$3,050
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,047,091
Construction Costs	\$43,385,886
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$2,108,812
Soft Cost Contingency	\$277,944
Relocation	\$0
Architectural/Engineering	\$1,498,840
Const. Interest, Perm. Financing	\$3,358,464
Legal Fees	\$43,812
Reserves	\$409,693
Other Costs	\$3,209,827
Developer Fee	\$2,920,766
Commercial Costs	\$1,536,945
Total	\$59,798,080

Residential

Construction Cost Per Square Foot:	\$663
Per Unit Cost:	\$882,744
True Cash Per Unit Cost*:	\$831,077

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Union Bank - Tax-Exempt	\$29,160,000	Union Bank - Tax-Exempt	\$9,718,000
Union Bank - Taxable	\$12,875,000	Union Bank - Tranche B	\$10,406,000
County of San Mateo	\$6,650,000	County of San Mateo	\$6,650,000
City of Belmont	\$3,000,000	City of Belmont	\$3,000,000
Accrued Interest	\$379,995	Accrued Interest	\$379,995
Costs Deferred	\$2,266,343	Deferred Developer Fee	\$500,000
Deferred Developer Fee	\$500,000	Tax Credit Equity	\$29,144,085
Tax Credit Equity	\$4,966,742	TOTAL	\$59,798,080

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$55,759,766
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$72,487,696
Applicable Rate:	3.24%
Maximum Annual Federal Credit:	\$2,348,601
Total State Credit:	\$6,778,311
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,920,766
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$1.00425
State Tax Credit Factor:	\$0.82000

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:	\$55,759,766
Actual Eligible Basis:	\$55,759,766
Unadjusted Threshold Basis Limit:	\$29,279,000
Total Adjusted Threshold Basis Limit:	\$69,746,936

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:

- New construction: project shall be more energy efficient than the 2019 Energy Efficiency Standards (California Code of Regulations, Title 24, Part 6) as indicated in TCAC Regulations.

Local Development Impact Fees

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: 50%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 32%

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 3.24% 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 \$831,077 per unit. The factors affecting this cost include the subterranean parking structure, prevailing wages and the City of Belmont's Village Specific Plan which includes the construction of retail space.

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.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

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.