

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
September 16, 2020

Gateway at Millbrae Apartments (site 6A), located at 200 Rollins Road in Millbrae, requested and is being recommended for a reservation of \$1,861,658 in annual federal tax credits to finance the new construction of 79 units of housing serving tenants with rents affordable to households earning 30%-60% of area median income (AMI). The project will be developed by Core Affordable Housing, LLC and is 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. The project financing includes state funding from the AHSC program of HCD.

Project Number CA-20-596

Project Name Gateway at Millbrae Apartments (site 6A)
Site Address: 200 Rollins Road
Millbrae, CA 94030 County: San Mateo
Census Tract: 6044.00

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,861,658	\$0
Recommended:	\$1,861,658	\$0

Applicant Information

Applicant: Bayshore Affordable, L.P.
Contact: Chris Neale
Address: 470 South Market Street
San Jose, CA 95113
Phone: (408) 292-7841
Email: chris@thecorecompanies.com

General Partner(s) or Principal Owner(s): Core Bayshore, LLC
Central Valley Coalition for Affordable Housing

General Partner Type: Joint Venture

Parent Company(ies): The Core Companies
Central Valley Coalition for Affordable Housing

Developer: Core Affordable Housing, LLC

Investor/Consultant: Raymond James

Management Agent: John Stewart Company

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 80
 No. / % of Low Income Units: 79 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (18 units - 23%)

Bond Information

Issuer: CSCDA
 Expected Date of Issuance: January 15, 2021

Information

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

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI: 16	20%
40% AMI: 8	10%
50% AMI: 16	20%
60% AMI: 39	49%

Unit Mix

34 SRO/Studio Units
45 1-Bedroom Units
1 2-Bedroom Units
<u>80 Total Units</u>

<u>Unit Type & Number</u>	<u>2020 Rents Targeted % of Area Median Income</u>	<u>2020 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
6 SRO/Studio	30%	30%	\$913
3 SRO/Studio	40%	40%	\$1,218
6 SRO/Studio	50%	50%	\$1,522
19 SRO/Studio	60%	55%	\$1,674
10 1 Bedroom	30%	30%	\$978
5 1 Bedroom	40%	40%	\$1,305
10 1 Bedroom	50%	50%	\$1,631
20 1 Bedroom	60%	60%	\$1,957
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,100,000
Construction Costs	\$29,781,751
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$2,682,588
Soft Cost Contingency	\$300,000
Relocation	\$0
Architectural/Engineering	\$1,296,143
Const. Interest, Perm. Financing	\$3,203,138
Legal Fees	\$265,000
Reserves	\$619,865
Other Costs	\$3,560,809
Developer Fee	\$3,500,000
Commercial Costs	\$0
Total	\$46,309,294

Residential

Construction Cost Per Square Foot:	\$505
Per Unit Cost:	\$578,866
True Cash Per Unit Cost*:	\$566,366

Construction Financing

Source	Amount
Citibank - Tax Exempt	\$23,600,000
Citibank - Taxable	\$11,950,000
County of San Mateo - AHF	\$2,119,750
City of Millbrae	\$2,880,000
Deferred Developer Fee	\$1,559,644
Tax Credit Equity	\$4,199,900

Permanent Financing

Source	Amount
Citibank	\$11,000,000
HCD - AHSC	\$11,809,959
County of San Mateo - AHF	\$2,119,750
City of Millbrae	\$2,880,000
Deferred Developer Fee	\$1,000,000
Tax Credit Equity	\$17,499,585
TOTAL	\$46,309,294

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$44,198,914
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$57,458,588
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	\$1,861,658
Approved Developer Fee (in Project Cost & Eligible Basis):	\$3,500,000
Investor/Consultant:	Raymond James
Federal Tax Credit Factor:	\$0.94000

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:	\$44,198,914
Actual Eligible Basis:	\$44,198,914
Unadjusted Threshold Basis Limit:	\$29,819,291
Total Adjusted Threshold Basis Limit:	\$61,753,389

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

Local Development Impact Fees

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: 30%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 40%

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

The total development cost per unit is \$566,366. The applicant noted the cost is attributable to the high cost of construction in the Bay Area market, an infill development, a LEED building standard, and payment of prevailing wages.

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.