

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**2020 Second Round**

**October 14, 2020**

Avance, located at 4260 First Street in Livermore, requested and is being recommended for a reservation of \$1,686,813 in annual federal tax credits to finance the new construction of 44 units of housing serving special needs tenants with rents affordable to households earning 20-50% of area median income (AMI). The project will be developed by MidPen Housing Corporation and will be located in Senate District 7 and Assembly District 16.

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

**Project Number** CA-20-068

**Project Name** Avance  
**Site Address:** 4260 First Street  
Livermore, CA 94551 **County:** Alameda  
**Census Tract:** 4514.010

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,686,813	\$0
Recommended:	\$1,686,813	\$0

**Applicant Information**

**Applicant:** MP Avance Associates, L.P.  
**Contact:** Jan M. Lindenthal  
**Address:** 303 Vintage Park Drive, Suite 250  
Foster City, CA 94404  
**Phone:** 650-356-2919  
**Email:** jlindenthal@midpen-housing.org

**General Partner(s) / Principal Owner(s):** MP Avance, LLC  
**General Partner Type:** Nonprofit  
**Parent Company(ies):** MidPen Housing Corporation  
**Developer:** MidPen Housing Corporation  
**Investor/Consultant:** Community Economics, Inc.  
**Management Agent(s):** MidPen Property Management Corporation

**Project Information**

**Construction Type:** New Construction  
**Total # Residential Buildings:** 6  
**Total # of Units:** 45  
**No. & % of Tax Credit Units:** 44 100%  
**Federal Set-Aside Elected:** 40%/60%  
**Federal Subsidy:** HUD Section 8 Project-based Vouchers (25 Units - 57%)

**Information**

**Set-Aside:** Nonprofit (qualified nonprofit organization)  
**Housing Type:** Special Needs  
**Type of Special Needs:** Persons with physical, mental, development disabilities  
**Average Targeted Affordability of Special Needs/SRO Project Units:** 39.32%  
**% of Special Need Units:** 44 100%  
**Geographic Area:** East Bay Region  
**TCAC Project Analyst:** Jonghyun (Tommy) Shim

**55-Year Use / Affordability**

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>	
At or Below 20% AMI:	13	25%
At or Below 40% AMI:	8	15%
At or Below 50% AMI:	23	40%

**Unit Mix**

12 SRO/Studio Units
32 1-Bedroom Units
1 3-Bedroom Units
<u>45 Total Units</u>

<u>Unit Type &amp; 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	20%	19%	\$434
5 SRO/Studio	50%	30%	\$685
1 SRO/Studio	50%	50%	\$1,142
7 1 Bedroom	20%	19%	\$465
8 1 Bedroom	50%	30%	\$734
6 1 Bedroom	50%	26%	\$648
8 1 Bedroom	40%	40%	\$979
3 1 Bedroom	50%	50%	\$1,223
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$2,650,526
Construction Costs	\$17,940,759
Rehabilitation Costs	\$0
Construction Contingency	\$1,090,135
Relocation	\$0
Architectural/Engineering	\$1,759,057
Const. Interest, Perm. Financing	\$1,228,727
Legal Fees	\$40,000
Reserves	\$304,100
Other Costs	\$2,566,810
Developer Fee	\$1,400,000
Commercial Costs	\$0
<b>Total</b>	<b>\$28,980,114</b>

**Residential**

Construction Cost Per Square Foot:	\$513
Per Unit Cost:	\$644,003
True Cash Per Unit Cost*:	\$629,449

<b>Construction Financing</b>		<b>Permanent Financing</b>	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Silicon Valley Bank	\$13,105,954	City of Livermore	\$8,003,832
Alameda County A1 Bond Funds	\$4,743,935	Alameda County A1 Bond Funds	\$4,743,935
City of Livermore	\$8,003,832	City of Livermore Waived Fees	\$654,889
City of Livermore Waived Fees	\$654,889	GP Equity	\$100
General Partner Equity	\$100	Tax Credit Equity	\$15,577,358
Tax Credit Equity	\$1,568,736	<b>TOTAL</b>	<b>\$28,980,114</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$14,417,203
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$18,742,363
Applicable Rate:	9.00%
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	\$1,686,813
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,400,000
Investor/Consultant:	Community Economics, Inc.
Federal Tax Credit Factor:	\$0.92348

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:	\$14,417,203
Actual Eligible Basis:	\$24,948,781
Unadjusted Threshold Basis Limit:	\$15,594,608
Total Adjusted Threshold Basis Limit:	\$20,161,026

**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

100% of the Low Income Units for Special Needs Population

One or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Project has onsite renewable generation estimated to produce 75% or more of annual common area electricity use as indicated in TCAC Regulations.

Local Development Impact Fees

**Tie-Breaker Information**

First:	<b>Special Needs</b>
Final:	<b>71.529%</b>

**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 9.0% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.24%. 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**

Staff noted a per unit cost of \$644,003. The applicant noted that the per unit cost is attributed to several items, including renovation and demolition of existing structures and removal of a water well. The project includes a historic house constructed in 1930 that will be retained and renovated per the city's conditions of approval. Lead and asbestos testing of the existing house will require asbestos abatement. A significant slope at the rear of the property will require a retaining wall. The property's frontage on First Street requires offsite improvements that include installation of a new traffic signal for the new driveway.

**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, City of Livermore, has completed a site review of this project and strongly supports this project.

**Standard Conditions**

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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 performance deposit and allocation 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.

<b>Points System</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Owner / Management Characteristics</b>	<b>9</b>	<b>9</b>	<b>9</b>
General Partner Experience	6	6	6
Management Experience	3	3	3
<b>Housing Needs</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Site Amenities</b>	<b>15</b>	<b>15</b>	<b>15</b>
Within 1/3 mile of transit (van or dial-a-ride service for rural set-aside)	4	4	4
Within 1/2 mile of public park or community center open to general public	3	3	3
Within 1 mile of public library	2	2	2
Within 1/2 mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within 1 mile of medical clinic or hospital	2	2	2
Within 1/2 mile of a pharmacy	2	2	2
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>SPECIAL NEEDS HOUSING TYPE</b>			
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 360 bdrms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	5	5	5
<b>Sustainable Building Methods</b>	<b>5</b>	<b>5</b>	<b>5</b>
<b>NEW CONSTRUCTION/ADAPTIVE REUSE</b>			
Develop project in accordance w/ requirements: LEED	5	5	5
<b>Lowest Income</b>	<b>52</b>	<b>52</b>	<b>52</b>
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Miscellaneous Federal and State Policies</b>	<b>2</b>	<b>2</b>	<b>2</b>
State Credit Substitution	2	2	2
<b>Total Points</b>	<b>113</b>	<b>113</b>	<b>113</b>

**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.**