CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 9, 2020

Gateway Family, located at 1317-1385 Willow Road in Menlo Park, requested and is being recommended for a reservation of $4,391,933 in annual federal tax credits to finance the new construction of 140 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 24.

Gateway Family will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers. The project financing includes state funding from a permanent loan through CalHFA.

Project Number CA-20-703

Project Name Gateway Family
Site Address: 1317-1385 Willow Road
Menlo Park, CA 94025 County: San Mateo
Census Tract: 6117.00

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$4,391,933	$0
Recommended:	$4,391,933	$0

Applicant Information

Applicant:	MP Gateway Family Associates, L.P.
Contact:	Serena Ip
Address:	303 Vintage Drive Suite 250 Foster City, CA 94404
Phone:	(650) 339-058
Email:	sip@midpen-housing.org

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

Project Information

Construction Type:	New Construction
Total # Residential Buildings:	1
Total # of Units:	140
No. / % of Low Income Units:	139 100.00%
Federal Set-Aside Elected:	40%/60% Average Income
Federal Subsidy:	HUD Section 8 Project-based Vouchers (81 units - 58%)

Bond Information

Issuer:	California Housing Finance Agency
Expected Date of Issuance:	May 1, 2021

Information

Housing Type:	Large Family
Geographic Area:	South and West Bay Region
TCAC Project Analyst:	Brett Andersen

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
30% AMI:	36	26%
50% AMI:	52	37%
60% AMI:	8	6%
80% AMI:	43	31%

Unit Mix

66 1-Bedroom Units
50 2-Bedroom Units
24 3-Bedroom Units
140 Total Units

Unit Type & Number		2020 Rents Targeted % of Area Median Income	2020 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
15	1 Bedroom	30%	28%	$907
15	1 Bedroom	50%	46%	$1,511
5	1 Bedroom	60%	51%	$1,662
2	1 Bedroom	60%	56%	$1,813
29	1 Bedroom	80%	51%	$1,662
12	2 Bedrooms	30%	28%	$1,088
23	2 Bedrooms	50%	46%	$1,813
11	2 Bedrooms	80%	51%	$1,994
3	2 Bedrooms	80%	56%	$2,176
9	3 Bedrooms	30%	28%	$1,257
14	3 Bedrooms	50%	46%	$2,095
1	3 Bedrooms	60%	51%	$2,305
1	2 Bedrooms	Manager's Unit	Manager's Unit	$0

Project Cost Summary at Application	
Land and Acquisition	$11,503,516
Construction Costs	$75,012,744
Rehabilitation Costs	$0
Construction Hard Cost Contingency	$3,907,521
Soft Cost Contingency	$315,000
Relocation	$7,186,136
Architectural/Engineering	$3,714,140
Const. Interest, Perm. Financing	$8,368,329
Legal Fees	$65,000
Reserves	$938,174
Other Costs	$2,427,319
Developer Fee	$12,402,000
Commercial Costs	$0
Total	**$125,839,880**

Residential	
Construction Cost Per Square Foot:	$467
Per Unit Cost:	$898,856
True Cash Per Unit Cost*:	$861,007

Construction Financing

Source	Amount
Wells Fargo Const. - Tax Exempt	$65,000,000
Wells Fargo Const. Loan - Taxable	$18,807,811
County of San Mateo AHF 3	$250,000
County of San Mateo AHF 5	$2,214,779
County of San Mateo AHF 6	$1,500,000
County of San Mateo AHF 7 & 8	$8,789,662
City of Menlo Park BMR Loan	$6,700,000
City of Menlo Park Assumed Loan	$3,424,341
GP Equity- Project Reserves	$1,857,629
Tax Credit Equity	$3,953,109

Permanent Financing

Source	Amount
CalHFA Permanent - Tranche A & B	$47,878,000
CalHFA Residual Receipts Loan	$3,500,000
County of San Mateo AHF 3	$250,000
County of San Mateo AHF 5	$2,214,779
County of San Mateo AHF 6	$1,500,000
County of San Mateo AHF 7 & 8	$8,789,662
City of Menlo Park BMR Loan	$6,700,000
Interest on soft loan during constructio	$507,374
City of Menlo Park Assumed Loan	$3,424,341
Deferred Developer Fee	$5,298,963
GP Equity	$4,493,037
GP Equity - Project Reserves	$1,857,629
Tax Credit Equity	$39,426,094
TOTAL	**$125,839,880**

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

Determination of Credit Amount(s)

Requested Eligible Basis:	$104,271,911
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	$135,553,485
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	$4,391,933
Approved Developer Fee (in Project Cost & Eligible Basis):	$12,402,000
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	$0.89769

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:	$104,271,911
Actual Eligible Basis:	$104,271,911
Unadjusted Threshold Basis Limit:	$64,358,250
Total Adjusted Threshold Basis Limit:	$140,805,761

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: 37%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 50%

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:
Staff noted the construction costs of approximately $861,007. The applicant noted these costs are attributed in part to the site location, the demolition of 18 buildings and relocation costs. In addition, the applicant will be required pay prevailing wage and construct off-site improvements including new sidewalks and building systems including plumbing and electrical.

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.