

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
April 28, 2021**

Sunnyvale Block 15, located at 388, 396, 402 and 406 Charles Street and 365, 397 and 403 S. Mathilda Avenue in Sunnyvale, requested and is being recommended for a reservation of \$3,830,322 in annual federal tax credits and \$3,915,371 in total state tax credits to finance the new construction of 89 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 Related Irvine Development Company, LLC and will be located in Senate District 13 and Assembly District 24.

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 California Department of Development Services (DDS) through the San Andreas Regional Center (SARC) program.

Project Number	CA-21-453	
Project Name	Sunnyvale Block 15	
Site Addresses:	388, 396, 402 and 406 Charles Street Sunnyvale, CA 94086	365, 397 and 403 S. Mathilda Avenue Sunnyvale, CA 94086
County:	Santa Clara	
Census Tract:	5086.01	

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$3,830,322	\$3,915,371
Recommended:	\$3,830,322	\$3,915,371

* The applicant made an election not to sell (Certificate) any portion of the state credits.

Applicant Information

Applicant:	Sunnyvale Block 15 Housing Partners, L.P.
Contact:	Ann Silverberg
Address:	44 Montgomery Street #1300 San Francisco, CA 94104
Phone:	(415) 677-9000
Email:	asilverberg@related.com
General Partner(s) or Principal Owner(s):	Related/Sunnyvale Development Co., LLC AHA Norcal MHP, LLC
General Partner Type:	Joint Venture
Parent Company(ies):	The Related Companies of California, LLC Affordable Housing Access, Inc.
Developer:	Related Irvine Development Company, LLC
Investor/Consultant:	U.S. Bancorp Community Development Corp.
Management Agent:	Related Management Company, L.P.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 3
 Total # of Units: 90
 No. / % of Low Income Units: 89 100.00%
 Federal Set-Aside Elected: 40%/60% Average Income
 Federal Subsidy: Tax-Exempt/HUD Section 8 Project-based Vouchers (22 units-24%)

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: October 1, 2021
 Credit Enhancement: None

Information

Housing Type: Large Family
 Geographic Area: South and West Bay Region
 TCAC Project Analyst: Ruben Barcelo

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI: 23	26%
50% AMI: 40	45%
60% AMI: 17	19%
80% AMI: 9	10%

Unit Mix

12 SRO/Studio Units
32 1-Bedroom Units
23 2-Bedroom Units
23 3-Bedroom Units
90 Total Units

<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>
7 SRO/Studio	30%	30%	\$829
3 SRO/Studio	50%	50%	\$1,382
2 SRO/Studio	60%	60%	\$1,659
11 1 Bedroom	30%	30%	\$888
11 1 Bedroom	50%	50%	\$1,481
9 1 Bedroom	60%	60%	\$1,777
3 2 Bedrooms	30%	30%	\$1,066
11 2 Bedrooms	50%	50%	\$1,777
2 2 Bedrooms	50%	50%	\$1,777
3 2 Bedrooms	60%	60%	\$2,133
4 2 Bedrooms	80%	60%	\$2,133
2 3 Bedrooms	30%	30%	\$1,231
11 3 Bedrooms	50%	50%	\$2,053
2 3 Bedrooms	50%	50%	\$2,053
3 3 Bedrooms	60%	60%	\$2,463
5 3 Bedrooms	80%	60%	\$2,463
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$270,000
Construction Costs	\$52,522,993
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$7,878,449
Soft Cost Contingency	\$500,000
Relocation	\$0
Architectural/Engineering	\$3,170,000
Const. Interest, Perm. Financing	\$4,458,000
Legal Fees	\$200,000
Reserves	\$601,332
Other Costs	\$3,704,990
Developer Fee	\$4,250,000
Commercial Costs	\$0
Total	\$77,555,764

Residential

Construction Cost Per Square Foot:	\$646
Per Unit Cost:	\$861,731
True Cash Per Unit Cost*:	\$842,286

Construction Financing**Permanent Financing**

<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
US Bank Tax Exempt Loan	\$40,500,000	US Bank Loan Tranche A	\$9,744,000
US Bank Taxable Loan	\$7,142,879	US Bank Loan Tranche B	\$5,290,000
DDS/SARC Loan	\$1,000,000	DDS/SARC Loan	\$1,000,000
County of Santa Clara Loan	\$4,000,000	County of Santa Clara Loan	\$4,000,000
City of Sunnyvale Loan 1	\$12,500,000	City of Sunnyvale Loan 1	\$12,500,000
City of Sunnyvale Loan 2	\$4,500,000	City of Sunnyvale Loan 2	\$4,500,000
City of Sunnyvale Loan 3	\$482,641	City of Sunnyvale Loan 3	\$482,641
Deferred Costs	\$601,332	Deferred Developer Fee	\$1,750,000
Deferred Developer Fee	\$3,000,000	Tax Credit Equity	\$38,289,123
Tax Credit Equity	\$3,828,912	TOTAL	\$77,555,764

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$73,660,042
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$95,758,055
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	\$3,830,322
Total State Credit:	\$3,915,371
Approved Developer Fee (in Project Cost & Eligible Basis):	\$4,250,000
Investor/Consultant:	U.S. Bancorp Community Development Corp.
Federal Tax Credit Factor:	\$0.91991
State Tax Credit Factor:	\$0.77992

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:	\$73,660,042
Actual Eligible Basis:	\$73,660,042
Unadjusted Threshold Basis Limit:	\$53,608,752
Total Adjusted Threshold Basis Limit:	\$120,244,890

Adjustments to Basis Limit

Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels.

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: 44%

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 4.00% 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 that the project plans to demolish 6 existing residential units located on the project sites. Staff adjusted the project’s state tax credit applicable fraction from 100% to 93.3% to reflect net new housing units to be produced by the project.

The development cost exceeds \$840,000 per unit. Factors driving this include the continuing escalation of construction costs in the San Francisco Bay region, the project’s requirement to pay prevailing wages, the cost associated with permanently relocating two tenant households, and the cost to satisfy the city’s green certification code requirements.

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.