

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
May 10, 2023**

Colibri Commons (fka 965 Weeks Street), located at 965 Weeks Street in East Palo Alto, requested and is being recommended for a reservation of \$6,660,543 in annual federal tax credits to finance the new construction of 135 units of housing serving families with rents affordable to households earning 30%-60% 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 21.

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 Affordable Housing and Sustainable Communities (AHSC) program of HCD.

Project Number CA-23-434

Project Name Colibri Commons (fka 965 Weeks Street)
Site Address: 965 Weeks Street
East Palo Alto, CA 94303
County: San Mateo
Census Tract: 60816119.01

| Tax Credit Amounts | Federal/Annual | State/Total |
|---------------------------|-----------------------|--------------------|
| Requested: | \$6,660,543 | \$0 |
| Recommended: | \$6,660,543 | \$0 |

Applicant Information

Applicant: MP 965 Weeks Street Associates, L.P.
Contact: Apolonio Munoz
Address: 303 Vintage Park Drive, Suite 250
Foster City, CA 94404
Phone: 650-393-3023
Email: amunoz@midpen-housing.org

General Partner(s) or Principal Owner(s): MP CANDO Weeks Street LLC
General Partner Type: Nonprofit
Parent Company(ies): MidPen Housing Corp.
Developer: MidPen Housing Corporation
Bond Issuer: California Municipal Finance Authority
Investor/Consultant: California Housing Partnership
Management Agent: MidPen Property Management Corporation

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 136
No. / % of Low Income Units: 135 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (15 Units - 11%)

Information

Housing Type: Large Family
 Geographic Area: South and West Bay Region
 CTCAC Project Analyst: Nick White

55-Year Use / Affordability

| Aggregate Targeting | Number of Units | Percentage of Affordable Units |
|----------------------------|------------------------|---------------------------------------|
| 30% AMI: | 45 | 33% |
| 40% AMI: | 17 | 13% |
| 50% AMI: | 31 | 23% |
| 60% AMI: | 42 | 31% |

Unit Mix

8 SRO/Studio Units
 19 1-Bedroom Units
 75 2-Bedroom Units
 27 3-Bedroom Units
 7 4-Bedroom Units

 136 Total Units

| Unit Type & Number | 2022 Rents Targeted % of Area Median Income | Proposed Rent (including utilities) |
|-------------------------------|--|--|
| 4 SRO/Studio | 30% | \$978 |
| 4 1 Bedroom | 30% | \$1,048 |
| 2 1 Bedroom | 30% | \$1,048 |
| 19 2 Bedrooms | 30% | \$1,258 |
| 4 2 Bedrooms | 30% | \$1,258 |
| 7 3 Bedrooms | 30% | \$1,454 |
| 2 3 Bedrooms | 30% | \$1,454 |
| 1 4 Bedrooms | 30% | \$1,622 |
| 2 4 Bedrooms | 30% | \$1,622 |
| 4 SRO/Studio | 40% | \$1,305 |
| 6 1 Bedroom | 40% | \$1,398 |
| 5 2 Bedrooms | 40% | \$1,678 |
| 2 3 Bedrooms | 40% | \$1,939 |
| 2 1 Bedroom | 50% | \$1,748 |
| 1 1 Bedroom | 50% | \$1,748 |
| 21 2 Bedrooms | 50% | \$2,097 |
| 1 2 Bedrooms | 50% | \$2,097 |
| 3 3 Bedrooms | 50% | \$2,423 |
| 1 3 Bedrooms | 50% | \$2,423 |
| 2 4 Bedrooms | 50% | \$2,703 |
| 4 1 Bedroom | 60% | \$2,097 |
| 24 2 Bedrooms | 60% | \$2,212 |
| 12 3 Bedrooms | 60% | \$2,799 |
| 2 4 Bedrooms | 60% | \$3,244 |
| 1 2 Bedrooms | Manager's Unit | \$0 |

Project Cost Summary at Application

| | |
|------------------------------------|----------------------|
| Land and Acquisition | \$2,512,876 |
| Construction Costs | \$96,709,216 |
| Rehabilitation Costs | \$0 |
| Construction Hard Cost Contingency | \$4,952,600 |
| Soft Cost Contingency | \$765,000 |
| Relocation | \$0 |
| Architectural/Engineering | \$3,411,459 |
| Const. Interest, Perm. Financing | \$13,367,828 |
| Legal Fees | \$135,000 |
| Reserves | \$1,037,805 |
| Other Costs | \$10,706,755 |
| Developer Fee | \$6,950,527 |
| Commercial Costs | \$0 |
| Total | \$140,549,066 |

Residential

| | |
|------------------------------------|-------------|
| Construction Cost Per Square Foot: | \$600 |
| Per Unit Cost: | \$1,033,449 |
| True Cash Per Unit Cost*: | \$974,030 |

Construction Financing

| Source | Amount |
|------------------------------|--------------|
| Wells Fargo Tax Exempt | \$67,797,000 |
| Wells Fargo Taxable | \$16,382,222 |
| San Mateo County | \$20,687,540 |
| Santa Clara County | \$1,500,000 |
| City of East Palo Alto Loans | \$7,214,000 |
| HEART - LHTF | \$3,230,000 |
| LISC Housing Catalyst Fund | \$5,286,000 |
| Impact Fee Waiver | \$3,330,452 |
| Deferred Cost | \$3,120,665 |
| Deferred Interest | \$1,045,178 |
| Deferred Developer Fee | \$4,750,527 |
| Tax Credit Equity | \$6,205,482 |

Permanent Financing

| Source | Amount |
|----------------------------|----------------------|
| CCRC Tranche A | \$13,204,000 |
| CCRC Tranche B | \$4,117,000 |
| HCD - AHSC | \$11,700,000 |
| San Mateo County | \$21,425,087 |
| Santa Clara County | \$1,500,000 |
| City of East Palo Alto | \$7,214,000 |
| HEART - LHTF | \$3,230,000 |
| LISC Housing Catalyst Fund | \$5,286,000 |
| Impact Fee Waiver | \$3,330,452 |
| Accrued Interest | \$1,045,178 |
| Deferred Developer Fee | \$4,750,527 |
| Tax Credit Equity | \$63,746,822 |
| TOTAL | \$140,549,066 |

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

Determination of Credit Amount(s)

| | |
|--|--------------------------------|
| Requested Eligible Basis: | \$128,087,373 |
| 130% High Cost Adjustment: | Yes |
| Applicable Fraction: | 100.00% |
| Qualified Basis: | \$166,513,585 |
| Applicable Rate: | 4.00% |
| Total Maximum Annual Federal Credit: | \$6,660,543 |
| Approved Developer Fee (in Project Cost & Eligible Basis): | \$6,950,527 |
| Investor/Consultant: | California Housing Partnership |
| Federal Tax Credit Factor: | \$0.95708 |

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.

Significant Information / Additional Conditions

The total development cost per unit is \$974,030. The main factor contributing to the high cost per unit is a parking structure, upgrades to the storm drain, construction loan interest and environmental conditions.

The applicant anticipates that the water service will be sub-metered and that the tenants will be billed separately for their water usage by a 3rd party company. Accordingly, the units' utility allowances include a component for water. The applicant is aware that sub-metering the water service and direct billing of the tenants by a 3rd party company must follow certain IRS rules in order to be in compliance. In conjunction with the IRS rules, prior to the issuance of the IRS 8609 forms, CTCAC will need to confirm that the water service and tenant billing have been implemented correctly. In addition, the CTCAC Compliance Section will require specific information regarding the master water bill and each tenant's water usage and water bill when they inspect the project.

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.

CTCAC 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 CTCAC.

The applicant must pay CTCAC a reservation fee calculated in accordance with regulation. Additionally, CTCAC 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 CTCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

If the applicant has requested the use of a CUAC utility allowance, CTCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from CTCAC, this project is not eligible to use a utility allowance based on the CUAC.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by CTCAC 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 CTCAC in its final feasibility analysis.

CDLAC Additional Conditions

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the CTCAC placed in service review, CTCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.

If points were awarded by CDLAC for housing type, the project shall comply with the housing type requirements at the time of CTCAC's Placed In Service review. The housing type requirement shall be conditioned in the CTCAC Regulatory Agreement and CTCAC Compliance staff shall verify the project is meeting those housing type requirements, consistent with California Code of Regulations, title 4, section 10322(i).