

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
August 23, 2023**

Montecito Multifamily, located at 1265 Montecito Avenue in Mountain View, requested and is being recommended for a reservation of \$3,909,764 in annual federal tax credits to finance the new construction of 84 units of housing serving families with rents affordable to households earning 30%-50% of area median income (AMI). The project will be developed by Charities Housing Development Corporation of Santa Clara County and will be located in Senate District 13 and Assembly District 23.

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

Project Number CA-23-534

Project Name Montecito Multifamily
Site Address: 1265 Montecito Avenue
Mountain View, CA 94043
County: Santa Clara
Census Tract: 5092.02

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$3,909,764	\$0
Recommended:	\$3,909,764	\$0

Applicant Information

Applicant: Charities Housing Development Corporation of Santa Clara County
Contact: Jacob Billitteri
Address: 1400 Parkmoor Avenue Suite 190
San Jose, CA 94126
Phone: (312) 550-6381
Email: jbillitteri@charitieshousing.org

General Partner(s) or Principal Owner(s): Montecito Charities, LLC
General Partner Type: Nonprofit
Developer: Charities Housing Development Corporation of SCC
Bond Issuer: California Municipal Finance Authority
Investor/Consultant: California Housing Partnership
Management Agent: Charities Housing Development Corporation of SCC

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 85
No. / % of Low Income Units: 84 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax Exempt / HUD Section 8 Project-based Vouchers (39 Units - 46%)

Information

Housing Type: Large Family
Geographic Area: South and West Bay Region
CTCAC Project Analyst: Chris Saenz

55-Year Use / Affordability

Aggregate Targeting	Number of Units	Percentage of Affordable Units
30% AMI:	42	50%
50% AMI:	42	50%

Unit Mix

24 SRO/Studio Units
18 1-Bedroom Units
21 2-Bedroom Units
22 3-Bedroom Units
85 Total Units

Unit Type & Number	2022 Rents Targeted % of Area Median Income	Proposed Rent (including utilities)
21 SRO/Studio	30%	\$885
10 1 Bedroom	30%	\$948
9 2 Bedrooms	30%	\$1,137
2 3 Bedrooms	30%	\$1,314
3 SRO/Studio	50%	\$1,475
8 1 Bedroom	50%	\$1,580
12 2 Bedrooms	50%	\$1,896
19 3 Bedrooms	50%	\$2,190
1 3 Bedrooms	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$10,123,822
Construction Costs	\$48,172,333
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$5,713,945
Soft Cost Contingency	\$384,239
Relocation	\$0
Architectural/Engineering	\$2,140,000
Const. Interest, Perm. Financing	\$11,312,715
Legal Fees	\$180,000
Reserves	\$1,084,420
Other Costs	\$3,726,598
Developer Fee	\$9,807,100
Commercial Costs	\$0
Total	\$92,645,172

Residential

Construction Cost Per Square Foot:	\$588
Per Unit Cost:	\$1,089,943
True Cash Per Unit Cost*:	\$1,003,977

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Citi Bank: Tax-Exempt	\$45,112,346	Citi Bank: Tax-Exempt	\$14,743,000
County of Santa Clara	\$18,000,000	County of Santa Clara	\$18,000,000
City of Mountain View	\$14,672,303	City of Mountain View	\$16,000,000
Accrued Interest	\$1,595,718	Accrued Interest	\$1,595,718
Deferred Costs	\$2,624,270	Deferred Developer Fee	\$7,307,100
Deferred Developer Fee	\$7,307,100	Tax Credit Equity	\$34,999,354
Tax Credit Equity	\$3,333,435	TOTAL	\$92,645,172

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$75,187,764
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$97,744,093
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	\$3,909,764
Approved Developer Fee (in Project Cost & Eligible Basis):	\$9,807,100
Federal Tax Credit Factor:	\$0.89518

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

Staff noted a per unit development cost of \$1,089,943. The applicant noted that the high per unit cost is attributed to the project site's challenging nature, type I ground floor concrete podium, labor shortages, supply chain disruptions, inflation, commercial prevailing wages, and rising interest rates.

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).