

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
August 23, 2023

The project, 1178 Sonora Court, located at 1178 Sonora Court in Sunnyvale, requested and is being recommended for a reservation of \$7,402,819 in annual federal tax credits and \$15,125,096 in total state tax credits to finance the new construction of 174 units of housing serving families with rents affordable to households earning 30%-70% of area median income (AMI). The project will be developed by MidPen Housing Corporation and will be located in Senate District 10 and Assembly District 26.

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 Mixed-Income Program (MIP) through CalHFA.

Project Number CA-23-550

Project Name 1178 Sonora Court
 Site Address: 1178 Sonora Court
 Sunnyvale, CA 94086
 County: Santa Clara
 Census Tract: 5087.04

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$7,402,819	\$15,125,096
Recommended:	\$7,402,819	\$15,125,096

* The applicant made an election to sell (Certificate) all or any portion of the state credits.

Applicant Information

Applicant: MP Sonora Court LLC
 Contact: Shwetha Subramanian
 Address: 303 Vintage Park Drive, Suite 250
 Foster City, CA 94404
 Phone: 650-356-2900
 Email: shwetha.subramanian@midpen-housing.org

General Partner(s) or Principal Owner(s): MP Sonora Court LLC
 General Partner Type: Nonprofit
 Parent Company(ies): Mid-Peninsula Baker Park, Inc.
 Developer: MidPen Housing Corporation
 Bond Issuer: California Housing Finance Agency
 Investor/Consultant: California Housing Partnership Corporation
 Management Agent: MidPen Property Management Corporation

Project Information

Construction Type: New Construction
 Total # Residential Buildings 1
 Total # of Units: 176
 No. / % of Low Income Units 174 100.00%
 Federal Set-Aside Elected: 40%/60% Average Income
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (75 Units - 43%)

Information

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

55-Year Use / Affordability

<u>Aggregate Targeting</u>	<u>Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI:	87	50%
40% AMI:	16	9%
50% AMI:	28	16%
60% AMI:	25	14%
70% AMI:	18	10%

Unit Mix

39 SRO/Studio Units
47 1-Bedroom Units
45 2-Bedroom Units
45 3-Bedroom Units
<u>176 Total Units</u>

<u>Unit Type & Number</u>	<u>2022 Rents Targeted % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
20 SRO/Studio	30%	\$885
10 SRO/Studio	30%	\$885
5 SRO/Studio	40%	\$1,180
4 SRO/Studio	50%	\$1,475
20 1 Bedroom	30%	\$948
7 1 Bedroom	30%	\$948
5 1 Bedroom	40%	\$1,264
6 1 Bedroom	50%	\$1,580
9 1 Bedroom	60%	\$1,896
3 2 Bedrooms	30%	\$1,137
12 2 Bedrooms	30%	\$1,137
3 2 Bedrooms	40%	\$1,516
3 2 Bedrooms	50%	\$1,896
6 2 Bedrooms	50%	\$1,896
5 2 Bedrooms	60%	\$2,275
12 2 Bedrooms	70%	\$2,654
2 3 Bedrooms	30%	\$1,314
13 3 Bedrooms	30%	\$1,314
3 3 Bedrooms	40%	\$1,752
2 3 Bedrooms	50%	\$2,190
7 3 Bedrooms	50%	\$2,190
11 3 Bedrooms	60%	\$2,628
6 3 Bedrooms	70%	\$3,066
1 2 Bedrooms	Manager's Unit	\$0
1 3 Bedrooms	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$16,033,745
Construction Costs	\$92,131,298
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$11,150,446
Soft Cost Contingency	\$1,275,557
Relocation	\$0
Architectural/Engineering	\$3,266,831
Const. Interest, Perm. Financing	\$15,589,715
Legal Fees	\$285,000
Reserves	\$1,094,798
Other Costs	\$6,577,315
Developer Fee	\$18,568,945
Commercial Costs	\$0
Total	\$165,973,650

Residential

Construction Cost Per Square Foot:	\$552
Per Unit Cost:	\$943,032
True Cash Per Unit Cost*:	\$851,731

Construction Financing

Source	Amount
Wells Fargo: Tax-Exempt	\$74,439,164
Wells Fargo: Taxable	\$26,066,898
Santa Clara County	\$10,200,000
City of Sunnyvale	\$12,950,000
City of Sunnyvale: Land	\$13,550,000
Accrued Interest	\$1,086,418
General Partner Equity	\$100
Tax Credit Equity	\$8,380,507

Permanent Financing

Source	Amount
CALHFA: Tax Exempt	\$26,723,000
CalHFA: MIP	\$12,950,000
Santa Clara County	\$11,200,000
City of Sunnyvale	\$1,739,000
City of Sunnyvale: Land	\$13,550,000
Accrued Interest	\$1,086,418
General Partner Equity	\$100
Deferred Developer Fee	\$16,068,945
Tax Credit Equity	\$82,656,187
TOTAL	\$165,973,650

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$142,361,911
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$185,070,484
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	\$7,402,819
Total State Credit:	\$15,125,096
Approved Developer Fee (in Project Cost & Eligible Basis):	\$18,568,945
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.94699
State Tax Credit Factor:	\$0.82992

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 \$943,042. The applicant noted that the high per unit cost is attributed to noise mitigation due to proximity to transit, increased architectural costs due to the corner lot, precautionary environmental mitigation, and high interest rates in the Bay Area.

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

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).