CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 17, 2013

Project Number	CA-13-847
Project Name	Woodlands Newell
Site Address:	1761 Woodland Avenue & 44-48 Newell Road
	East Palo Alto, CA 94303 County: San Mateo
Census Tract:	6121.000

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$675,351	$0
Recommended:	$675,351	$0

Applicant Information

Applicant:	Woodlands Newell Associates, L.P.		
Contact:	Matthew O. Franklin		
Address:	303 Vintage Park Drive, Suite 250		
	Foster City, CA 94404		
Phone:	(650) 356-2903	Fax:	650-357-9766
Email:	mfranklin@midpen-housing.org		

General Partner(s) or Principal Owner(s):	Woodlands Newell LLC
General Partner Type:	Nonprofit
Parent Company:	Mid-Peninsula The Farm, Inc.
Developer:	MidPen Housing Corporation
Investor/Consultant:	Community Economics, Inc.
Management Agent:	MidPen Property Management Corporation

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	5
Total # of Units:	49
No. & % of Tax Credit Units:	47 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HOME / CDBG / HUD Section 8 Project-based Vouchers (23 units / 49%)
HCD MHP Funding:	No
55-Year Use/Affordability:	Yes

Number of Units @ or below 50% of area median income: 16
Number of Units @ or below 60% of area median income: 31

Bond Information

Issuer:	California Municipal Finance Authority
Expected Date of Issuance:	August 31, 2013
Credit Enhancement:	N/A

Information

Housing Type:	Large Family
Geographic Area:	South and East Bay Region
TCAC Project Analyst:	Jack Waegell

Unit Mix

6	SRO/Studio Units
16	1-Bedroom Units
11	2-Bedroom Units
8	3-Bedroom Units
8	4-Bedroom Units
49	Total Units

Unit Type & Number		2013 Rents Targeted % of Area Median Income	2013 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
6	SRO/Studio	50%	49%	$909
5	1 Bedroom	50%	29%	$572
10	1 Bedroom	60%	53%	$1,051
1	2 Bedrooms	50%	40%	$950
5	2 Bedrooms	60%	60%	$1,425
1	2 Bedrooms	50%	25%	$589
2	2 Bedrooms	60%	47%	$1,104
1	2 Bedrooms	50%	47%	$1,104
1	3 Bedrooms	50%	42%	$1,140
7	3 Bedrooms	60%	56%	$1,542
1	4 Bedrooms	50%	48%	$1,454
7	4 Bedrooms	60%	48%	$1,454
1	1 Bedroom	Manager’s Unit	Manager’s Unit	$0
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Financing		**Residential**	
Estimated Total Project Cost:	$20,727,277	Construction Cost Per Square Foot:	$120
Estimated Residential Project Cost:	$20,727,277	Per Unit Cost:	$423,006

Construction Financing

Source	Amount
Tax Exempt Bond- CitiBank	$11,000,000
San Mateo County HOME & CDBG	$500,000
Seller Take Back Notes	$6,856,136
Income from Operations	$251,033
Deferred Interest During Construction	$263,079
GP Capital Contribution	$477,101
Tax Credit Equity	$354,524

Permanent Financing

Source	Amount
Tax Exempt Bond- CitiBank Tranche A	$2,550,600
Tax Exempt Bond- CitiBank Tranche B	$693,100
San Mateo County HOME & CDBG	$2,653,755
Seller Take Back Notes	$6,856,136
Income from Operations	$251,033
Deferred Interest During Construction	$263,079
GP Capital Contribution	$477,101
Tax Credit Equity	$6,982,473
TOTAL	**$20,727,277**

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$10,255,818
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$7,772,144
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$13,332,564
Applicable Rate:	3.20%
Qualified Basis (Acquisition):	$7,772,144
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	$426,642
Maximum Annual Federal Credit, Acquisition:	$248,709
Total Maximum Annual Federal Credit:	$675,351
Approved Developer Fee in Project Cost:	$1,708,752
Approved Developer Fee in Eligible Basis:	$1,689,133
Investor/Consultant:	Community Economics, Inc.
Federal Tax Credit Factor:	$1.03390

Per Regulation Section 10322(i)(4)(A), The “as if vacant” land value and the existing improvement value established at application, as well as the eligible basis amount derived from those values, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Per Regulation Section 10327(c)(2)(C), Once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	$18,027,963
Actual Eligible Basis:	$18,027,963
Unadjusted Threshold Basis Limit:	$11,491,706
Total Adjusted Threshold Basis Limit:	$18,140,117

Adjustments to Basis Limit:
Required to Pay Prevailing Wages
Seismic Upgrading
55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 34%

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 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 3.20% 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.

Special Issues/Other Significant Information: This project consists of 2 scattered site projects within close proximity to each other. The Woodlands site has 23 units with 13 HUD Section 8 project-based vouchers. The Woodlands site is also an existing tax credit project, CA-90-134 which is being re-syndicated as part of this project. The Newell Apartment site has 26 units with 10 HUD Section 8 project-based vouchers. Unlike the Woodlands, Newell Apartments is not an existing tax credit project.

The applicant is required to replace/repair the project's landscaping and roofing in those areas described as being in poor condition by the Physical Needs Assessment report in a manner that meets the requirements of regulation section 10326(g)(6).

The application's requested eligible basis figure exceeded the adjusted threshold basis limit. The applicant agreed to restrict 1 additional unit at 50% AMI for a total of 16 units at 50% AMI. This change increased the adjusted threshold basis limit to $18,140,117 which exceeds the requested eligible basis figure of $18,027,962 as required by regulation.

Local Reviewing Agency:
The Local Reviewing Agency, the County of San Mateo Department of Housing, has completed a site review of this project and strongly supports this project.

Recommendation: Staff recommends that the Committee make a preliminary reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal Tax Credits/Annual	State Tax Credits/Total
$675,351	**$0**

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.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

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.

Additional Conditions: The applicant/owner is required to provide the tenants with the following service amenities free of charge for a minimum of ten (10) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC:

- After school program on-site
- Contract with a full time equivalent bona fide service coordinator / social worker for a minimum number of hours per year on-site