

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2015 Second Round

September 23, 2015

St. Stephens Senior Housing, located at 2500 Soquel Avenue in the unincorporated county of Santa Cruz, CA, requested and is being recommended for a reservation of \$908,728 in annual federal tax credits to finance the new construction of 39 units of housing serving seniors with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by MidPen Housing Corporation and will be located in Senate District 17 and Assembly District 29.

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

Project Number CA-15-147

Project Name St. Stephens Senior Housing
Site Address: 2500 Soquel Avenue
Unincorporated, CA 95062 County: Santa Cruz
Census Tract: 1214.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$908,728	\$0
Recommended:	\$908,728	\$0

Applicant Information

Applicant: MP St. Stephens Associates, LP
Contact: Matthew O. Franklin
Address: 303 Vintage Park Drive, Suite 250
Foster City, CA 94404
Phone: 650-359-2903
Email: mfranklin@midpen-housing.org

General Partner(s) / Principal Owner(s): Mid-Peninsula Castroville, LLC
General Partner Type: Nonprofit
Parent Company(ies): MidPen Housing Corporation
Developer: MidPen Housing Corporation
Investor/Consultant: Community Economics
Management Agent(s): MidPen Property Management Corporation

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 40
 No. & % of Tax Credit Units: 39 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HUD Section 8 Project-based Vouchers (39 units - 100%)
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 5 10 %
 40% AMI: 8 20 %
 50% AMI: 16 40 %

Information

Set-Aside: N/A
 Housing Type: Seniors
 Geographic Area: Central Coast Region
 TCAC Project Analyst: Marlene McDonough

Unit Mix

4 SRO/Studio Units
 32 1-Bedroom Units
 4 2-Bedroom Units

 40 Total Units

<u>Unit Type & Number</u>	<u>2015 Rents Targeted % of Area Median Income</u>	<u>2015 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 SRO/Studio	40%	40%	\$691
3 SRO/Studio	50%	50%	\$863
4 1 Bedroom	30%	30%	\$555
6 1 Bedroom	40%	40%	\$740
12 1 Bedroom	50%	50%	\$925
10 1 Bedroom	60%	50%	\$925
1 2 Bedrooms	30%	30%	\$666
1 2 Bedrooms	40%	40%	\$888
1 2 Bedrooms	50%	50%	\$1,110
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,498,642
Construction Costs	\$10,990,585
Rehabilitation Costs	\$0
Construction Contingency	\$559,461
Relocation	\$0
Architectural/Engineering	\$1,131,000
Construction Interest, Perm Financing	\$723,346
Legal Fees, Appraisals	\$86,500
Reserves	\$909,173
Other Costs	\$922,839
Developer Fee	\$1,200,000
Commercial Costs	\$0
Total	\$18,021,547

Project Financing

Estimated Total Project Cost:	\$18,021,547
Estimated Residential Project Cost:	\$18,021,547

Residential

Construction Cost Per Square Foot:	\$292
Per Unit Cost:	\$450,539

Construction Financing

Source	Amount
Union Bank	\$9,400,000
County of Santa Cruz	\$5,393,830
Tax Credit Equity	\$1,200,000

Permanent Financing

Source	Amount
Union Bank	\$381,000
Union Bank - Tranche B	\$2,347,000
County of Santa Cruz	\$5,393,830
Deferred Developer Fee	\$5,108
General Partner Equity	\$100
Tax Credit Equity	\$9,894,509
TOTAL	\$18,021,547

Determination of Credit Amount(s)

Requested Eligible Basis:	\$9,090,007
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$11,817,009
Applicable Rate:	7.69%
Total Maximum Annual Federal Credit:	\$908,728
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,200,000
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	\$1.08883

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:	\$9,090,007
Actual Eligible Basis:	\$15,305,664
Unadjusted Threshold Basis Limit:	\$8,604,856
Total Adjusted Threshold Basis Limit:	\$11,985,007

Adjustments to Basis Limit:

Required to Pay Prevailing Wages

One or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- New construction: project buildings are at least 45% more energy efficient than current CA Code Energy Efficiency Standards as indicated in TCAC Regulations.

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Seniors
Second:	66.929%

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 7.69% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.30%. 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:

The applicant's estimate of the 3-month operating reserve shown in the application development budget is slightly below TCAC's minimum. At placed-in service review, the applicant is cautioned that the 3-month operating reserve must meet the TCAC required minimum.

Legal Status: Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

Local Reviewing Agency:

The Local Reviewing Agency, County of Santa Cruz Planning Department, has completed a site review of this project and strongly support 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
\$908,728	\$0

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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 performance deposit and allocation 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.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of ten years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(6) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

Additional Conditions: None

Points System	Max. Possible Points	Requested Points	Points Awarded
Cost Efficiency / Credit Reduction / Public Funds	20	20	20
Public Funds	20	20	20
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ¼ mile of transit stop, service every 30 minutes in rush hours	6	6	6
Within ½ mile of public park or community center open to general public	2	2	2
Within 1.5 miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Within ½ mile of medical clinic or hospital	3	3	3
Within ½ mile of a pharmacy	1	1	1
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Health & wellness services and programs, minimum 100 hrs per 100 bdms	5	5	5
Sustainable Building Methods	10	10	10
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: GreenPoint Rated Program	5	5	5
Develop project to requirements of: Gold	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed	20	20	20
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	148	148	148

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.