CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 21, 2015

Colorado Park Apartments, located at 1031-1151 Colorado Avenue in Palo Alto, requested and is being recommended for a reservation of $996,654 in annual federal tax credits to finance the acquisition and rehabilitation of 60 units of housing serving large families with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Palo Alto Housing Corporation and will be located in Senate District 24 and Assembly District 24.

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

Project Number CA-15-905

Project Name Colorado Park Apartments
Site Address: 1031 - 1151 Colorado Avenue
Palo Alto, CA 94303 County: Santa Clara
Census Tract: 5110.000

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$996,654	$0
Recommended:	$996,654	$0

Applicant Information
Applicant: Palo Alto Housing Corporation
Contact: Candice Gonzalez
Address: 725 Alma Place
Palo Alto, CA 94301
Phone: 650-321-9709 Fax: 650-321-4341
Email: cgonzalez@paloaltohousingcorp.org

General Partner(s) or Principal Owner(s): Colorado Park Housing Corporation
General Partner Type: Nonprofit
Parent Company(ies): Palo Alto Housing Corporation
Developer: Palo Alto Housing Corporation
Investor/Consultant: California Housing Partnership Corporation
Management Agent: PAHC Management & Services Corporation

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	6
Total # of Units:	60
No. & % of Tax Credit Units:	55 93.22%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax Exempt / HUD Section 8 Project-based Contract (37 units - 67%)
55-Year Use/Affordability:	Yes

Number of Units @ or below 50% of area median income: 33
Number of Units @ or below 60% of area median income: 22

Bond Information

Issuer:	California Municipal Finance Authority
Expected Date of Issuance:	November 1, 2015
Credit Enhancement:	N/A

Information

Housing Type:	Large Family
Geographic Area:	South and West Bay Region
TCAC Project Analyst:	Marlene McDonough

Unit Mix

8	1-Bedroom Units
24	2-Bedroom Units
22	3-Bedroom Units
6	4-Bedroom Units
60	Total Units

Unit Type & Number		2015 Rents Targeted % of Area Median Income	2015 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
1	2 Bedrooms	60%	60%	$1,435
1	3 Bedrooms	60%	60%	$1,658
1	4 Bedrooms	60%	60%	$1,850
6	1 Bedroom	50%	50%	$997
9	2 Bedrooms	50%	50%	$1,196
13	3 Bedrooms	50%	50%	$1,382
5	4 Bedrooms	50%	50%	$1,542
1	1 Bedroom	60%	55%	$1,088
2	2 Bedrooms	60%	43%	$1,040
1	3 Bedrooms	60%	44%	$1,206
1	1 Bedroom	60%	58%	$1,147
5	2 Bedrooms	60%	45%	$1,088
1	3 Bedrooms	60%	45%	$1,244
2	2 Bedrooms	60%	48%	$1,142
1	3 Bedrooms	60%	58%	$1,590
3	2 Bedrooms	60%	58%	$1,377
1	3 Bedrooms	60%	59%	$1,624
1	2 Bedrooms	60%	60%	$1,435
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$955
1	2 Bedrooms	Market Rate Unit	Market Rate Unit	$725
2	3 Bedrooms	Market Rate Unit	Market Rate Unit	$1,637
1	3 Bedrooms	Market Rate Unit	Market Rate Unit	$1,637

Project Cost Summary at Application	
Land and Acquisition	$19,673,423
Construction Costs	$0
Rehabilitation Costs	$7,940,000
Construction Contingency	$1,588,000
Relocation	$1,328,825
Architectural/Engineering	$416,209
Construction Interest, Perm Financing	$1,392,344
Legal Fees, Appraisals	$117,950
Reserves	$798,008
Other Costs	$547,852
Developer Fee	$2,500,000
Commercial Costs	$0
Total	**$36,302,611**

Project Financing		**Residential**	
Estimated Total Project Cost:	$36,302,611	Construction Cost Per Square Foot:	$132
Estimated Residential Project Cost:	$36,302,611	Per Unit Cost:	$605,044

Construction Financing	
Source	Amount
Bank of America	$22,347,000
Seller Carryback Loan	$10,716,696
City of Palo Alto (Assumed)	$203,561
Accrued/Deferred Interest	$342,577
Withdrawal from Project Reserves	$268,415
Tax Credit Equity	$1,023,153

Permanent Financing	
Source	Amount
Bank of America	$13,441,835
Seller Carryback Loan	$10,716,696
City of Palo Alto (Assumed)	$203,561
Accrued/Deferred Interest	$342,577
Withdrawal from Project Reserves	$268,415
Tax Credit Equity	$11,329,527
TOTAL	**$36,302,611**

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$12,903,988
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	$19,775,580
Applicable Fraction:	92.42%
Qualified Basis (Rehabilitation):	$11,925,548
Qualified Basis (Acquisition):	$18,276,105
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	$393,543
Maximum Annual Federal Credit, Acquisition:	$603,111
Total Maximum Annual Federal Credit:	$996,654
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,500,000
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	$1.13676

Per Regulation Section 10322(h)(9)(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:	$32,679,568
Actual Eligible Basis:	$32,679,568
Unadjusted Threshold Basis Limit:	$20,527,670
Total Adjusted Threshold Basis Limit:	$32,844,272

Adjustments to Basis Limit

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

● Project has onsite renewable generation estimated to produce 50% or more of annual electricity use as indicated in TCAC Regulations.

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 60%

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 3.30% 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

The proposed rent for the one and two-bedroom units do not include any utility allowance. The owner will pay for all utilities for those units.

Local Reviewing Agency

The Local Reviewing Agency, City of Palo Alto, Department of Planning & Community Environment, 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**
$996,654	**$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 complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The project commits to improve energy efficiency above the modeled energy consumption of the building(s) by a 15% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERSII) post rehabilitation.
- The rehabilitation project commits to including photovoltaic (PV) generation that offsets 50% of common area load (if the combined available roof area of the project structures, including carports, is insufficient for provision of 50% of annual common area electricity use then the project shall have onsite renewable generation based on at least 90% of the available solar accessible roof area).