

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
2008 Second Round Cycle
October 8, 2008
REVISED**

Project Number CA-2008-181

Project Name Peninsula Station

Site Address: 2901-2905 S. El Camino Real
San Mateo, CA 94403

County: San Mateo

Census Tract: 6075

Applicant Information

Applicant: Mid-Peninsula Housing Coalition

Contact: Yoomie Ahn

Address: 303 Vintage Park Drive, Suite 250
Foster City, CA 94404

Phone: (650) 356-2900 x324

Fax: (650) 357-9766

Email: yahn@midpen-housing.org

General Partners(s) Type: Nonprofit

Information

Set-Aside: N/A

Housing Type: Large Family

Geographic Area: San Mateo & Santa Clara Counties

Eligible Basis

Requested: \$21,354,267

Actual: \$29,149,664

Maximum Permitted: \$21,354,267

Adjustments to Threshold Basis Limit:

Required to Pay Prevailing Wages Parking Beneath Residential Units

Local Impact Fees Utilizing New Energy Technologies

3 or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features

95% of Upper Floor Units are Elevator-Serviced

Tax Credit Amounts

Federal/Annual

State/Total

Requested: \$1,674,175 \$6,278,154

Recommended: \$1,674,175 \$6,278,154

Project Information

Construction Type: New Construction

Federal Subsidy: None

Total # of Units: 68

Total # Residential Buildings: 1

Income/Rent Targeting

Federal Set-Aside Elected: 40%/60%

% & No. of Tax Credit Units: 100% - 67 units

Breakdown by %: 30% @ 30%, 10% @ 40%, 35% @ 50%

Selection Criteria	Max. Possible Points	Requested Points	Points Awarded
<i>Cost Efficiency/Credit Reduction/Public Funds</i> Maximum of 20 points	20	20	20
<input checked="" type="checkbox"/> Credit Reduction	20	2	2
<input checked="" type="checkbox"/> Public Funds	18	18	18
<i>Owner / Management Characteristics</i> Maximum of 9 points	9	9	9
<input checked="" type="checkbox"/> General Partner Experience	6	6	6
<input checked="" type="checkbox"/> Management Experience	3	3	3
<i>Housing Needs</i> Maximum of 10 points	10	10	10
<i>Site Amenities</i> Maximum of 15 points	15	15	15
<input checked="" type="checkbox"/> Within ¼ mile of transit stop with service every 30 minutes & 25 units per acre	7	7	7
<input checked="" type="checkbox"/> Within ½ mile of public park or community center open to general public	2	2	2
<input checked="" type="checkbox"/> Within ½ mile of a full-scale grocery store with staples, fresh meat and fresh produce	3	3	3
<input checked="" type="checkbox"/> Within 1 mile of medical clinic or hospital	2	2	2
<input checked="" type="checkbox"/> Within ½ mile of a pharmacy	1	1	1
<i>Service Amenities</i> Maximum of 10 points	10	10	10
<input checked="" type="checkbox"/> After school programs of an ongoing nature for school age children	5	5	5
<input checked="" type="checkbox"/> Bona fide service coordinator available	5	5	5
<i>Balanced Communities</i> Maximum of 8 points	9	9	9
<input checked="" type="checkbox"/> Local government initiatives re: affordable housing	3	3	3
<input checked="" type="checkbox"/> Adjacent to upper income family housing	2	2	2
<input checked="" type="checkbox"/> Project with at least 30% of units @ 30% AMI or less	4	4	4
<i>Sustainable Building Methods</i> Maximum of 8 points	8	8	8
<input checked="" type="checkbox"/> Energy star rated ceiling fans in bedroom/living room; whole house fan; economizer	2	2	2
<input checked="" type="checkbox"/> Flow restrictors for kitchen & bath faucets or water-saving fixtures	1	1	1
<input checked="" type="checkbox"/> Minimum 1 High Efficiency Toilet (1.3 gpf) or dual flush	2	2	2
<input checked="" type="checkbox"/> Bathroom fans in all bathrooms w/humidistat, timer and outdoor exhaust	2	2	2
<input checked="" type="checkbox"/> Recycled materials incorporated into: concrete, carpet, road base or landscape	1	1	1
<input checked="" type="checkbox"/> Project design incorporates Universal Design	1	1	1
<i>Lowest Income</i> Maximum of 52 points	52	52	52
<input checked="" type="checkbox"/> Basic Targeting	50	50	50
<input checked="" type="checkbox"/> Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
<i>Readiness to Proceed</i> Maximum of 20 points	20	20	20
<i>State credit substitution</i> Maximum of 2 points	2	2	2
Total Points	155	155	155

Tie-Breaker Information

Tie-Breaker Categories Apply to this Project: **Yes**

First: Housing Type **Large Family**

Second: Maximum Balanced Community Points/Federal Designated Area **Yes**

Third: Calculated Ratio per Regulation 10325(c)(12) **73.130%**

<u>Unit Type & Number</u>	<u>2008 Rents for 2nd Round 2008</u> <u>% of Area Median Income</u>	<u>Proposed Rent</u> (including utilities)
5 One-Bedroom Units	30%	\$636
1 One-Bedroom Unit	40%	\$848
1 One-Bedroom Unit	50%	\$1,060
1 One-Bedroom Unit	60%	\$1,060
11 Two-Bedroom Units	30%	\$763
3 Two-Bedroom Units	40%	\$1,018
12 Two-Bedroom Units	50%	\$1,272
5 Two-Bedroom Units	60%	\$1,272
5 Three-Bedroom Units	30%	\$882
3 Three-Bedroom Units	40%	\$1,176
12 Three-Bedroom Units	50%	\$1,470
8 Three-Bedroom Units	60%	\$1,470
1 Two-Bedroom Unit	Manager's Unit	\$0

The general partner or principal owner is MP Mezes, Inc.

The project developer is Mid-Peninsula Housing Coalition.

The management agent is Mid-Peninsula Housing Management Corporation.

The market analyst is M.E. Shay & Co.

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

Project Financing

Estimated Total Project Cost: \$37,326,775 Per Unit Cost: \$527,315 Construction Cost Per Sq. Foot: \$275
 Estimated Residential Cost: \$35,857,437
 Estimated Commercial Cost: \$1,469,338

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Wells Fargo Bank	\$22,000,000	Wells Fargo Bank	\$4,098,000
City of San Mateo	\$5,300,000	City of San Mateo	\$5,300,000
San Mateo County	\$2,929,023	San Mateo County	\$2,929,023
HCD Infill Infrastructure Funds	\$3,854,240	HCD Infill Infrastructure Funds	\$3,854,240
Federal Home Loan Bank - AHP	\$544,000	Federal Home Loan Bank - AHP	\$544,000
Commercial Income (pre-constr.)	\$439,400	Commercial Income (pre-constr.)	\$439,400
Investor Equity	\$1,200,000	GP Equity	\$100
		Investor Equity	\$20,162,012
		TOTAL	\$37,326,775

Determination of Credit Amount(s)

Requested Eligible Basis:	\$21,354,267
130% High Cost Adjustment:	No
Applicable Fraction:	100%
Qualified Basis Credit Reduction (2%)	\$427,085
Qualified Basis:	\$20,927,182
Applicable Rate:	8.00%
Total Maximum Annual Federal Credit:	\$1,674,175
Total State Credit:	\$6,278,154
Approved Developer Fee: Residential	\$1,400,000
Approved Developer Fee: Commercial	\$48,728
Tax Credit Factor: <i>Community Economics</i>	\$0.87585

Applicant requests and staff recommends annual federal credits of \$1,674,175 and total state credits of \$6,278,154, based on a qualified basis of \$20,927,182 and a funding shortfall of \$20,162,012.

Cost Analysis and Line Item Review

The requested eligible basis \$21,354,267 is at TCAC's threshold basis limit \$21,354,267. The basis limit was increased by the following extraordinary features: projects where 95% of upper floor units are elevator-serviced, projects that are required to pay state or federal prevailing wages, projects that are required to provide parking beneath the residential units, projects that include distributive energy technologies such as micro turbines and/or renewable energy sources such as solar, local development impact fees, the adjustment for projects with 3 or more energy efficiency/resource conservation/indoor air quality items, for exceeding Title 24 by at least 15%, using tank less water heaters, a high efficiency condensing boiler (92% AFUE or greater), or a solar thermal domestic hot water pre-heating system, using vent kitchen range hoods to the exterior of the building in at least 80% of the units, and using at least four recycled products listed in the Construction, Flooring, or Recreation section of the California Integrated Waste Management Board's Recycled Content Products Database. 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 8.00% 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: Staff noted that the preliminary architectural drawings indicated that some of the 3-bedroom units did not meet the 1,000 square feet of living space minimum requirement pursuant to TCAC Regulation section 10325(g)(1)(B). Please note that these minimums must be met when the final architectural drawings are completed and the project is constructed.

Preliminary architectural drawings also failed to clearly identify the square footage total of the common area(s). Please note that the minimum square footage outlined for the common area(s) must be met pursuant to TCAC Regulation section 10325(g)(1)(E).

Adequate laundry facilities must be available on project premises, with no fewer than one washer/dryer per 10 units upon completion of the project prior to the issuance of federal and state tax forms.

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.

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/Annual	State/Total
\$1,674,175	\$6,278,154

Standard Conditions

An application for a carryover allocation must be submitted by **October 31, 2008**, as required by regulation section 10328(d), together with the applicable allocation fee and all required documentation. The time for meeting the "10%" test and submitting related documentation will be no later than twelve (12) months after the date of the executed carryover allocation (as defined by IRC Section 42 and IRS Notices). The applicant must ensure the project meets all Additional Threshold Requirements for the housing type of the proposed project.

The applicant must submit all documentation required for a Final Reservation no later than February 1 of the year that the building(s) must be placed in service pursuant to Section 42(h)(1)(E)(i) of the Internal Revenue Code of 1986, as amended. The applicant shall provide the Committee a Final Reservation application providing the documentation for the project set forth in Section 10322(i)(1) of these regulations. 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. The performance deposit must be paid by cashier's check within 20 calendar days of any preliminary reservation. The allocation fee must be paid within a time period specified in the preliminary reservation letter. The allocation fee will be due prior to execution of a carryover allocation or issuance of tax forms, whichever comes first. 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.

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)(8) 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)(P) at project completion.

Additional Conditions

Applicants that received 20 points for readiness to proceed must meet ALL of the following requirements. The applicant must be ready to begin construction within 150 days of the Credit Reservation which is **March 9, 2009**, as evidenced by submission, within that time of, recorded deeds of trust for all construction financing, payment of all construction lender fees, issuance of building permits and notice to proceed delivered to the contractor. Failure to meet this timeline will result in rescission of the Credit Reservation.

Project Analyst: Anthony Zeto