

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2010 First Round

June 9, 2010

Project Number CA-2010-025

Project Name Tree House Apartments
Site Address: 488 W Charleston Road
Palo Alto, CA 94306 **County:** Santa Clara
Census Tract: 5107.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$472,754	\$1,575,845
Recommended:	\$472,754	\$952,606

Applicant Information

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

General partner(s) or principal owner(s): PAHC California Park Corporation
General Partner Type: Nonprofit
Developer: Palo Alto Housing Corp.
Investor/Consultant: Community Economics
Management Agent: PAHC Management and Services Corporation

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 35
No. & % of Tax Credit Units: 34 100%
Federal Set-Aside Elected: 40%/60% Test
Federal Subsidy: CDBG
Average Affordability of Special Needs/SRO Project Units: 38.04%
Affordability Breakdown by % (Lowest Income Points):
30% AMI: 35 %
40% AMI: 10 %
50% AMI: 40 %

Information

Set-Aside: SRO-Single Room Occupancy
Housing Type: Single Room Occupancy
Geographic Area: South and West Bay Region
TCAC Project Analyst: Benjamin Schwartz

Unit Mix

33 SRO/Studio Units
<u>2 1-Bedroom Units</u>
35 Total Units

<u>Unit Type & Number</u>	<u>2009 Rents Targeted % of Area Median Income</u>	<u>2009 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
5 SRO/Studio	20%	20%	\$371
7 SRO/Studio	30%	30%	\$557
5 SRO/Studio	40%	40%	\$743
16 SRO/Studio	50%	50%	\$928
1 1 Bedroom	30%	30%	\$597
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost:	\$11,692,696	Construction Cost Per Square Foot:	\$240
		Per Unit Cost:	\$334,077

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Bank of America	\$1,824,000	City of Palo Alto	\$2,838,577
City of Palo Alto	\$2,838,577	Santa Clara County CDBG	\$400,000
Santa Clara County CDBG	\$400,000	Housing Trust of Santa Clara County	\$350,000
Housing Trust of Santa Clara County	\$500,000	County- Stanford Affordable Housing Fund	\$960,000
County - Stanford Affordable Housing Fund	\$960,000	PAHC California Park	\$100
City of Palo Alto - In-Lieu Fees	\$2,500,000	City of Palo Alto fee waiver	\$395,581
Tax Credit Equity	\$1,058,204	AHP	\$350,000
		City of Palo Alto - In-Lieu Fees	\$2,500,000
		Tax Credit Equity	\$3,898,438
		TOTAL	\$11,692,696

Determination of Credit Amount(s)

Requested Eligible Basis:	\$5,252,818
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$5,252,818
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$472,754
Total State Credit:	\$952,606
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,065,662
Investor /Consultant:	Community Economics
Federal Tax Credit Factor:	\$0.71652
State Tax Credit Factor:	\$0.53652

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:	\$5,252,818
Actual Eligible Basis:	\$8,170,079
Unadjusted Threshold Basis Limit:	\$5,462,859
Total Adjusted Threshold Basis Limit:	\$7,320,231

Adjustments to Basis Limit:

Required to Pay Prevailing Wages

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

- Projects exceeding Title 24 by at least 15%
 - Projects using tank less water heaters, a high efficiency condensing boiler (92% AFUE or greater), or a solar thermal domestic hot water pre-heating system
 - Projects using CRI Green Label Plus Carpet or no carpet in all bedrooms
 - Projects using vent kitchen range hoods to the exterior of the building in at least 80% of the units
 - Projects 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
- 95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Single Room Occupancy
Second:	118.220%

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 9.00% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.40%. 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: None

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, City of Palo Alto, 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
\$472,754

State Tax Credits/Total
\$952,606

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation, any Readiness 150-Day Requirements elected, and a Final Reservation. 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	61	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 min, 25 units/acre density	7	7	7
Within ¼ mile of public park or community center open to general public	3	3	3
Special Needs/SRO project within 1 mile of facility serving tenant pop.	2	2	2
Within 1 mile of medical clinic or hospital	2	2	2
Within ¼ mile of a pharmacy	2	2	2
Service Amenities	10	10	10
Service Coordinator, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Adult educational classes, minimum instruction of 60 hours/year	5	5	5
Sustainable Building Methods	8	9	8
New construction/adaptive reuse energy efficiency 10% above Title 24	4	4	4
Energy star rated ceiling fans in bedroom/living room; whole house fan	2	2	2
Flow restrictors for kitchen & bath faucets or water-saving fixtures	1	1	1
Formaldehyde free cabinets, countertops and shelving	1	1	1
No-VOC interior paint	1	1	1
Lowest Income	52	60	52
Basic Targeting	50	58	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed	20	20	20
State Credit Substitution	2	2	2
Total Points	146	146	146

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.