

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2014 Second Round
September 24, 2014

Project Number CA-14-139

Project Name Laguna Commons
 Site Address: 41152 Fremont Boulevard
 Fremont, CA 94538 County: Alameda
 Census Tract: 4423.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,135,774	\$6,465,575
Recommended:	\$2,135,774	\$6,465,575

Applicant Information

Applicant: Laguna Commons Associates, L.P.
 Contact: Matthew O. Franklin
 Address: 303 Vintage Park Drive, Suite 250
 Foster City, CA 94404
 Phone: 650-356-2900 Fax: 650-357-9766
 Email: mfranklin@midpen-housing.org

General Partner(s) / Principal Owner(s): Mid-Peninsula Pickering Inc.
 Allied Housing Inc.
 General Partner Type: Nonprofit
 Parent Company(ies): MidPen Housing Corporation
 Abode Services
 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: 64
 No. & % of Tax Credit Units: 63 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HOME / CDBG / HUD Project-based VASH (19 units - 30%) / HUD
 Continuum of Care (8 units - 12%) / CHOICES (5 units - 7%)
 Average Targeted Affordability of Special Needs/SRO Project Units: 37.50%
 Affordability Breakdown by Units and % (Lowest Income Points):

30% AMI:	19	30 %
40% AMI:	10	15 %
50% AMI:	16	25 %

Information

Set-Aside: Nonprofit Homeless Assistance
 Housing Type: Special Needs / Large Family
 Type of Special Needs: Homeless / Formerly Homeless
 % of Special Need Units: 32 units 50%
 Geographic Area: North and East Bay Region
 TCAC Project Analyst: Connie Harina

Unit Mix

20 SRO/Studio Units
 21 1-Bedroom Units
 12 2-Bedroom Units
11 3-Bedroom Units
 64 Total Units

<u>Unit Type & Number</u>	<u>2014 Rents Targeted % of Area Median Income</u>	<u>2014 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
10 SRO/Studio *	30%	15%	\$241
8 SRO/Studio *	40%	15%	\$241
2 SRO/Studio *	50%	15%	\$241
5 1 Bedroom *	30%	15%	\$258
2 1 Bedroom *	40%	15%	\$258
2 1 Bedroom *	50%	15%	\$258
7 1 Bedroom	50%	50%	\$862
5 1 Bedroom	60%	50%	\$862
2 2 Bedrooms *	30%	15%	\$310
3 2 Bedrooms	50%	50%	\$1,035
6 2 Bedrooms	60%	50%	\$1,035
1 3 Bedrooms *	30%	15%	\$358
1 3 Bedrooms	30%	30%	\$717
2 3 Bedrooms	50%	50%	\$1,196
7 3 Bedrooms	60%	50%	\$1,196
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

* Special needs units identified in application.

Project Financing

Estimated Total Project Cost:	\$33,212,344
Estimated Residential Project Cost:	\$33,212,344

Residential

Construction Cost Per Square Foot:	\$280
Per Unit Cost:	\$518,943

Construction Financing

Source	Amount
Wells Fargo	\$23,507,443
City of Fremont	\$4,219,264
City of Fremont - HOME	\$387,000
City of Fremont - CDBG	\$269,375
Tax Credit Equity	\$2,700,000

Permanent Financing

Source	Amount
Wells Fargo Tranche B Loan	\$500,000
City of Fremont	\$4,219,264
City of Fremont - HOME	\$387,000
City of Fremont - CDBG	\$269,375
HCD - MHP	\$1,003,001
Deferred Developer Fee	\$5,928
General Partner Equity	\$2,694
PV Credit Equity	\$96,704
Tax Credit Equity	\$26,728,378
TOTAL	\$33,212,344

Determination of Credit Amount(s)

Requested Eligible Basis:	\$21,551,919
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis Credit Reduction (1%)	\$280,175
Qualified Basis:	\$27,737,320
Applicable Rate:	7.70%
Maximum Annual Federal Credit:	\$2,135,774
Total State Credit:	\$6,465,575
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,200,000
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	\$1.04485
State Tax Credit Factor:	\$0.68250

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:	\$21,551,919
Actual Eligible Basis:	\$26,894,430
Unadjusted Threshold Basis Limit:	\$14,953,366
Total Adjusted Threshold Basis Limit:	\$22,306,919

Adjustments to Basis Limit:

- Required to Pay Prevailing Wages
- Local Development Impact Fees
- 95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Special Needs
Second:	33.347%

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 7.70% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.36%. 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 Fremont Community Development Department, 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
\$2,135,774	\$6,465,575

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
Credit Reduction	1	1	1
Public Funds	19	19	19
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 a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within ½ mile of medical clinic or hospital	3	3	3
Within ¼ mile of a pharmacy	2	2	2
Service Amenities	10	10	10
SPECIAL NEEDS AND LARGE FAMILY HOUSING TYPES			
Case Manager, minimum ratio of 1 FTE to 100 bedrooms	5	5	5
Service Coordinator/Other Services Specialist, min ratio 1 FTE to 360 bdrms	5	5	5
Sustainable Building Methods	10	10	10
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: GreenPoint Rated	5	5	5
Develop project to requirements of: GreenPoint Rated 125	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.