

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2017 First Round
June 7, 2017

Chestnut Square Senior Housing, located at 1625-1635 Chestnut Street in Livermore, requested and is being recommended for a reservation of \$2,048,566 in annual federal tax credits to finance the new construction of 71 units of housing serving seniors with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by MidPen Housing Corporation and will be located in Senate District 7 and Assembly District 16.

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

Project Number CA-17-047

Project Name Chestnut Square Senior Housing
 Site Address: 1625-1635 Chestnut Street
 Livermore, CA 94551 County: Alameda
 Census Tract: 4514.040

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,048,566	\$0
Recommended:	\$2,048,566	\$0

Applicant Information

Applicant: Chestnut Square Senior Associates, L.P.
 Contact: Jan M. Lindenthal
 Address: 303 Vintage Park Drive, Suite 250
 Foster City, CA 94404
 Phone: 650-356-2919 Fax: 650-357-9766
 Email: jlindenthal@midpen-housing.org

General Partner(s) / Principal Owner(s): MP Chestnut Square Senior LLC
 General Partner Type: Nonprofit
 Parent Company(ies): Mid-Peninsula Pickering, Inc.
 Developer: MidPen Housing Corporation
 Investor/Consultant: California Housing Partnership Corporation
 Management Agent(s): MidPen Property Management Corporation

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 72
 No. & % of Tax Credit Units: 71 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HUD Section 8 Project-based Vouchers: 30 Units (42%)
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 8 10 %
 40% AMI: 15 20 %
 50% AMI: 29 40 %

Information

Set-Aside: N/A
 Housing Type: Seniors
 Geographic Area: North and East Bay Region
 TCAC Project Analyst: Zhuo Chen

Unit Mix

2 SRO/Studio Units
 69 1-Bedroom Units
 1 2-Bedroom Units

 72 Total Units

Unit Type & Number	2016 Rents Targeted % of Area Median Income	2016 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
1 SRO/Studio	30%	30%	\$512
7 1 Bedroom	30%	30%	\$548
1 SRO/Studio	40%	40%	\$683
14 1 Bedroom	40%	40%	\$731
29 1 Bedroom	50%	50%	\$914
19 1 Bedroom	60%	60%	\$1,097
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$52,588,800

Project Cost Summary at Application

Land and Acquisition	\$5,100,591
Construction Costs	\$22,351,486
Rehabilitation Costs	\$0
Construction Contingency	\$1,125,000
Relocation	\$0
Architectural/Engineering	\$1,398,000
Const. Interest, Perm. Financing	\$1,831,861
Legal Fees, Appraisals	\$97,500
Reserves	\$250,904
Other Costs	\$3,636,399
Developer Fee	\$1,400,000
Commercial Costs	\$0
Total	\$37,191,741

Project Financing

Estimated Total Project Cost:	\$37,191,741
Estimated Residential Project Cost:	\$37,191,741
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$494
Per Unit Cost:	\$516,552
True Cash Per Unit Cost*:	\$437,006

Construction Financing

Source	Amount
Wells Fargo Bank	\$22,966,000
City of Livermore	\$5,710,000
City of Livermore - Land Donation	\$4,320,000
City of Livermore - Fee Waiver	\$1,407,292
Alameda County - Boomerang Funds	\$185,000
Deferred Costs	\$715,571
Tax Credit Equity	\$1,887,878

Permanent Financing

Source	Amount
CCRC	\$1,127,000
CCRC - Tranche B	\$4,489,000
City of Livermore	\$5,710,000
City of Livermore - Land Donation	\$4,320,000
City of Livermore - Fee Waiver	\$1,407,292
Alameda County - Boomerang Funds	\$185,000
Tax Credit Equity	\$19,953,449
TOTAL	\$37,191,741

*Less Donated Land, Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis:	\$17,509,115
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$22,761,850
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,048,566
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,400,000
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.97402

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:	\$17,509,115
Actual Eligible Basis:	\$29,563,115
Unadjusted Threshold Basis Limit:	\$16,842,082
Total Adjusted Threshold Basis Limit:	\$23,640,134

Adjustments to Basis Limit

- Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages
- Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels
- Local Development Impact Fees
- 95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

First:	Seniors
Final:	54.347%

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 9.0% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.23%. 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

In the placed in service package, the applicant must demonstrate compliance with TCAC regulation section 10327(c)(10), basis related to parking. This includes number of parking spaces, a calculation of the applicable ratio, transit stop information, and documentation from a CPA of any required basis reduction in the final cost certification.

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, the City of Livermore, 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
\$2,048,566	\$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 fifteen 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 1/8 mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within 1/2 mile of public park or community center open to general public	3	3	3
Within 1/2 mile of public library	3	3	3
Within 1/2 mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within 1/2 mile of a pharmacy	2	2	2
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
Adult ed/health & wellness/skill bldg classes, min. 60 hrs/yr instruction	5	5	5
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: GreenPoint Rated Program	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	15	15	15
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	138	138	138

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.