CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 18, 2017

Kottinger Gardens Phase 2, located at 243, 245, 247, 249, 251 & 253 Kottinger Drive in Pleasanton, requested and is being recommended for a reservation of $1,202,309 in annual federal tax credits to finance the new construction of 53 units of housing serving seniors with rents affordable to households earning 35-60% 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-17-787

Project Name Kottinger Gardens Phase 2

Site Address:	243, 245, 247, 249, 251 & 253 Kottinger Drive	
	Pleasanton, CA 94566	County: Alameda
Census Tract:	4507.41	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,202,309	$0
Recommended:	$1,202,309	$0

Applicant Information

Applicant:	MidPen Housing Corporation	
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) or Principal Owner(s):	Kottinger Gardens Phase 2 LLC
General Partner Type:	Nonprofit
Parent Company(ies):	MidPen Housing Corporation
Developer:	MidPen Housing Corporation
Investor/Consultant:	California Housing Partnership Corporation
Management Agent:	MidPen Property Management Corporation

Project Information

Construction Type:	New Construction	
Total # Residential Buildings:	6	
Total # of Units:	54	
No. & % of Tax Credit Units:	53	100.00%
Federal Set-Aside Elected:	40%/60%	
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Vouchers (31 Units - 58%)	

HCD MHP Funding:	No
Utility Allowance:	CUAC
55-Year Use/Affordability:	Yes
Number of Units @ or below 35% of area median income:	6
Number of Units @ or below 50% of area median income:	37
Number of Units @ or below 60% of area median income:	10

Bond Information

Issuer:	California Housing Finance Agency
Expected Date of Issuance:	December 1, 2017
Credit Enhancement:	N/A

Information

Housing Type:	Seniors
Geographic Area:	North and East Bay Region
TCAC Project Analyst:	Tiffani Negrete

Unit Mix

50	1-Bedroom Units
4	2-Bedroom Units
54	Total Units

Unit Type & Number		2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
5	1 Bedroom	35%	20%	$391
1	2 Bedrooms	35%	30%	$704
10	1 Bedroom	50%	40%	$782
1	2 Bedrooms	50%	40%	$938
25	1 Bedroom	50%	50%	$978
1	2 Bedrooms	50%	50%	$1,173
10	1 Bedroom	60%	60%	$1,174
1	2 Bedrooms	Manager's Unit	Manager's Unit	$0

Projected Lifetime Rent Benefit: $38,171,760

Project Cost Summary at Application

Land and Acquisition	$588,009
Construction Costs	$20,361,387
Rehabilitation Costs	$0
Construction Contingency	$1,045,970
Relocation	$712,000
Architectural/Engineering	$742,574
Const. Interest, Perm. Financing	$1,991,879
Legal Fees, Appraisals	$146,000
Reserves	$216,448
Other Costs	$1,742,550
Developer Fee	$3,711,785
Commercial Costs	$0
Total	**$31,258,602**

Project Financing

Estimated Total Project Cost:	$31,258,602
Estimated Residential Project Cost:	$31,258,602
Estimated Commercial Project Cost:	$0

Residential

Construction Cost Per Square Foot:	$425
Per Unit Cost:	$578,863
True Cash Per Unit Cost*:	$535,893

Construction Financing

Source	Amount
Union Bank - T.E. Bonds	$22,342,000
City of Pleasanton	$2,825,360
Accrued Interest	$68,208
Affordable Housing Program	$800,000
Deferred Developer Fee	$2,320,383
General Partner Equity	$100
Tax Credit Equity	$1,680,873

Permanent Financing

Source	Amount
CaHFA - T.E. Bonds Tranche A	$2,274,000
CaHFA - T.E. Bonds Tranche B	$6,222,000
County of Alameda Bonds	$4,600,000
City of Pleasanton	$2,825,360
Accrued Interest	$68,208
Affordable Housing Program	$800,000
Deferred Developer Fee	$2,320,383
General Partner Equity	$100
Tax Credit Equity	$12,148,551
TOTAL	**$31,258,602**

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

Determination of Credit Amount(s)

Requested Eligible Basis:	$28,457,017
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	$36,994,122
Applicable Rate:	3.25%
Total Maximum Annual Federal Credit:	$1,202,309
Approved Developer Fee (in Project Cost & Eligible Basis):	$3,711,785
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	$1.01044

Per Regulation Section 10327(c)(6), 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:	$28,457,017
Actual Eligible Basis:	$28,457,017
Unadjusted Threshold Basis Limit:	$14,434,900
Total Adjusted Threshold Basis Limit:	$31,901,129

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

95% of Upper Floor Units are Elevator-Serviced

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 69%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 22%

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 3.25% 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

Development costs for this project are approximately $535,893 per unit. Some of the main factors attributing to the relatively high cost are: 1) the project consists of primarily one-bedroom units; 2) the units are single story, single loaded cottages with added foundation and exterior wall costs; 3) the layout requires underground piping; 4) there are additional hard costs including solar hot water and photo-voltaic systems; 5) there are stand-alone carport structures; 6) the site has drainage needs due to uneven topography; and 7) the project is paying prevailing wage as required by federal law.

Local Reviewing Agency

The Local Reviewing Agency, the City of Pleasanton, 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**
$1,202,309	**$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.

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 a parking ratio equivalent of 1 parking stall or less per SRO and 1-bedroom restricted rental units, and 1.5 parking stall or less per 2-bedroom and larger restricted rental units.