

**CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE  
CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE  
Project Staff Report  
Qualified Private Activity Tax-Exempt Bond Project  
August 6, 2024**

Parnow Friendship House, located at 164 North San Pedro Road in San Rafael on a 2.42 acre site, requested and is being recommended for a reservation of \$2,037,584 in annual federal tax credits and \$24,470,000 of tax-exempt bond cap to finance the acquisition & rehabilitation of 72 units of housing, consisting of 71 restricted rental units, and 1 unrestricted manager's unit. The project has 71 one-bedroom units, and 1 two-bedroom unit, serving tenants with rents affordable to households earning 30%-60% of area median income (AMI). The renovations will include building exterior and interior upgrades. Interior renovations will include accessibility improvements to the bathrooms and kitchens to ensure all residents can enjoy them. The proposed renovation will also focus on sustainable and green building elements, including Energy Star Appliances, energy-efficient mechanical systems, low-flow fixtures, and a new Cool Roof. Lastly, there are no planned off-site improvements, complex or costly structural or site/topographical requirements, or other unique or abnormal features. The construction is expected to begin in October 2024 and be completed in May 2025. The project will be developed by SP Tax Credit Developer I LLC and is located in Senate District 2 and Assembly District 12.

The project is currently at-risk, but is being recommended for a reservation of tax credits that will preserve affordability for an additional 55 years. The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

**Project Number** CA-24-408

**Project Name** Parnow Friendship House  
Site Address: 164 North San Pedro Road  
San Rafael, CA 94903  
County: Marin  
Census Tract: 1060.02

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$2,037,584	\$0
Recommended:	\$2,037,584	\$0

**Tax-Exempt Bond Allocation**  
Recommended: \$24,470,000

**CTCAC Applicant Information**  
CTCAC Applicant/CDLAC Sponsor: Parnow Preservation LP  
Contact: Sean Burrowes  
Address: 701 5th Avenue, Suite 5700  
Seattle, WA 98104  
Phone: 206-878-8481  
Email: seanb@secprop.com

**Bond Financing Information**  
CDLAC Applicant/Bond Issuer: California Municipal Finance Authority  
Bond Counsel: Orrick, Herrington & Sutcliffe LLP  
Public Sale: Credit Enhanced  
Underwriter: Stifel, Nicolaus & Company  
Credit Enhancement Provider: Fannie Mae

**Development Team**

General Partner(s) or Principal Owner(s): Parnow GP LLC  
 Las Palmas Housing & Development Corporation  
 General Partner Type: Joint Venture  
 Parent Company(ies): Security Properties  
 Las Palmas Housing & Development Corporation  
 Developer: SP Tax Credit Developer I LLC  
 Investor/Consultant: PNC  
 Management Agent: The John Stewart Company

**Project Information**

Construction Type: Acquisition & Rehabilitation  
 Total # Residential Buildings: 9  
 Total # of Units: 72  
 No. / % of Low Income Units: 71 100.00%  
 Average Targeted Affordability: 50.59%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (71 Units - 100%)

**Information**

Housing Type: At-Risk  
 Geographic Area: Northern Region  
 State Ceiling Pool: Preservation  
 Set Aside: N/A  
 Homeless Set Aside Units: N/A  
 CDLAC Project Analyst: Amit Sarang  
 CTCAC Project Analyst: Cynthia Compton

**55-Year Use / Affordability**

<b>Aggregate Targeting</b>	<b>Number of Units</b>	<b>Percentage of Affordable Units</b>
30% AMI:	11	15%
50% AMI:	25	35%
60% AMI:	35	49%

**Unit Mix**

71 1-Bedroom Units
1 2-Bedroom Units
<b>72 Total Units</b>

<b>Unit Type &amp; Number</b>	<b>2023 Rents Targeted % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
11 1 Bedroom	30%	\$1,044
25 1 Bedroom	50%	\$1,741
35 1 Bedroom	60%	\$2,004
1 2 Bedrooms	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$38,125,000
Rehabilitation Costs	\$4,378,040
Construction Hard Cost Contingency	\$434,304
Soft Cost Contingency	\$22,500
Relocation	\$252,000
Architectural/Engineering	\$237,000
Const. Interest, Perm. Financing	\$2,467,143
Legal Fees	\$12,000
Reserves	\$853,393
Other Costs	\$445,287
Developer Fee	\$6,358,997
<b>Total</b>	<b>\$53,585,664</b>

**Residential**

Construction Cost Per Square Foot:	\$93
Per Unit Cost:	\$744,245
Estimated Hard Per Unit Cost:	\$52,000
True Cash Per Unit Cost*:	\$667,558
Bond Allocation Per Unit:	\$339,861
Bond Allocation Per Restricted Rental Unit:	\$344,648

**Construction Financing**

Source	Amount
PNC: Tax-Exempt	\$24,470,000
PNC: Recycled Bonds	\$3,869,000
General Partner Loan	\$2,000,000
Deferred Developer Fee	\$5,521,455
Tax Credit Equity	\$14,180,166

**Permanent Financing**

Source	Amount
PNC: Tax-Exempt	\$24,470,000
PNC: Recycled Bonds	\$3,869,000
General Partner Loan	\$2,000,000
Deferred Developer Fee	\$5,521,456
Tax Credit Equity	\$17,725,208
<b>TOTAL</b>	<b>\$53,585,664</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$7,290,968
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$41,461,342
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$9,478,258
Qualified Basis (Acquisition):	\$41,461,342
Applicable Rate:	4.00%
Maximum Annual Federal Credit, Rehabilitation:	\$379,130
Maximum Annual Federal Credit, Acquisition:	\$1,658,454
Total Maximum Annual Federal Credit:	\$2,037,584
Approved Developer Fee (in Project Cost & Eligible Basis):	\$6,358,997
Investor/Consultant:	PNC
Federal Tax Credit Factor:	\$0.86991

Except as allowed for projects basing cost on assumed third party debt, the "as if vacant" land value and the existing improvement value established at application for all projects, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

**CTCAC Significant Information / Additional Conditions**

Staff noted a per unit development cost of \$744,245. The applicant noted that the per unit cost is attributed to escalating costs of construction materials, as well as increases in labor costs, including prevailing wages.

**CDLAC Analyst Comments**

None

**Resyndication and Resyndication Transfer Event:** None.

**CDLAC Additional Conditions**

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the CTCAC placed in service review, CTCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.

If points were awarded by CDLAC for housing type, the project shall comply with the housing type requirements at the time of CTCAC's Placed In Service review. The housing type requirement shall be conditioned in the CTCAC Regulatory Agreement and CTCAC Compliance staff shall verify the project is meeting those housing type requirements, consistent with California Code of Regulations, title 4, section 10322(i).

<b>Point Criteria</b>	<b>New Const. Max. Points</b>	<b>Rehabilitation Max. Points</b>	<b>Points Scored</b>
Preservation and Other Rehabilitation Project Priorities	0	20	20
New Construction Density and Local Incentives	10	0	0
Exceeding Minimum Income Restrictions	20	20	20
Exceeding Minimum Rent Restrictions	10	10	10
General Partner Experience	7	7	7
Management Company Experience	3	3	3
Housing Needs	10	0	0
Leveraged Soft Resources	8	8	8
Readiness to Proceed	10	10	10
Affirmatively Furthering Fair Housing	10	0	0
Site Amenities	10	10	10
Service Amenities	10	10	10
Cost Containment	12	12	12
Negative Points	No Maximum		0
<b>Total Points</b>	120	110	110

The criteria for which points are awarded will also be incorporated into the Resolution transferring Allocation to the Applicant as well as the appropriate bond documents and loan and finance agreements.

**Tie Breaker:** 119.271%