

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

April 14, 2020

Wilton Court Apartments, located at 3703-3709 El Camino Real in Palo Alto, requested and is being recommended for a reservation of \$1,792,883 in annual federal tax credits and \$3,190,000 in total state tax credits to finance the new construction of 58 units of housing serving tenants with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by PAHC Properties Corporation and will be located in Senate District 13 and Assembly District 24.

Project Number CA-20-487

Project Name Wilton Court Apartments
Site Address: 3703-3709 El Camino Real
Palo Alto, CA 94306 County: Santa Clara
Census Tract: 5107.00

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$1,792,883	\$3,190,000
Recommended:	\$1,792,883	\$3,190,000

* The applicant made an election to sell (Certificate) all or any portion of the state credits.

Applicant Information

Applicant: PAHC Properties Corporation
Contact: Randal Tsuda
Address: 2595 East Bayshore, Suite 200
Palo Alto, CA 94303
Phone: 650-321-9709
Email: rtsuda@pah.community

General Partner(s) or Principal Owner(s): Wilton Court LLC
General Partner Type: Nonprofit
Parent Company(ies): Self
Developer: PAHC Properties Corporation
Investor/Consultant: PAHC Properties Corporation
Management Agent: California Housing Partnership
Palo Alto Housing Corporation

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 59
 No. / % of Low Income Units: 58 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: August 31, 2020

Information

Housing Type: Non-Targeted
 Geographic Area: South and West Bay Region
 TCAC Project Analyst: Tiffani Negrete

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI: 14	24%
50% AMI: 19	33%
60% AMI: 25	43%

Unit Mix

55 SRO/Studio Units
4 1-Bedroom Units
<u>59 Total Units</u>

<u>Unit Type & Number</u>	<u>2019 Rents Targeted % of Area Median Income</u>	<u>2019 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
14 SRO/Studio	30%	30%	\$768
19 SRO/Studio	50%	50%	\$1,281
22 SRO/Studio	60%	60%	\$1,537
3 1 Bedroom	60%	60%	\$1,647
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$4,414,083
Construction Costs	\$29,633,231
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$2,483,564
Soft Cost Contingency	\$309,407
Relocation	\$180,000
Architectural/Engineering	\$1,710,939
Const. Interest, Perm. Financing	\$3,159,383
Legal Fees	\$105,000
Reserves	\$260,127
Other Costs	\$1,512,619
Developer Fee	\$5,062,926
Commercial Costs	\$0
Total	\$48,831,279

Residential

Construction Cost Per Square Foot:	\$893
Per Unit Cost:	\$827,649
True Cash Per Unit Cost*:	\$807,441

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
JP Morgan Chase - T.E. Bonds	\$23,817,500	JP Morgan Chase - T.E. Bonds	\$4,091,000
JP Morgan Chase	\$5,837,297	City of Palo Alto	\$19,188,737
City of Palo Alto	\$10,000,000	County of Santa Clara	\$2,800,000
County of Santa Clara	\$2,800,000	Accrued Interest	\$387,541
Accrued Interest	\$387,541	Contributed Developer Fee	\$1,370,695
Deferred Costs	\$1,571,817	Deferred Developer Fee	\$1,192,231
Contributed Developer Fee	\$1,370,695	General Partner Equity	\$100
Deferred Developer Fee	\$1,192,231	Tax Credit Equity	\$19,800,975
General Partner Equity	\$100	TOTAL	\$48,831,279
Tax Credit Equity	\$1,854,098		

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$42,566,084
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$55,335,909
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	\$1,792,883
Total State Credit:	\$3,190,000
Approved Developer Fee (in Project Cost & Eligible Basis):	\$5,062,926
Investor/Consultant:	California Housing Partnership
Federal Tax Credit Factor:	\$0.96208
State Tax Credit Factor:	\$0.80000

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.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$42,566,084
Actual Eligible Basis:	\$42,566,084
Unadjusted Threshold Basis Limit:	\$16,835,789
Total Adjusted Threshold Basis Limit:	\$41,472,781

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

Environmental Mitigation

95% of Upper Floor Units are Elevator-Serviced

Highest or High Resource Opportunity Area

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

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 54%

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 meet or 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 3.24% 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.

Significant Information / Additional Conditions: None.

Resyndication and Resyndication Transfer Event: None.

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.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

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.

CDLAC Additional Conditions

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