

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2013 First Round

June 12, 2013

Project Number CA-13-002

Project Name Residences at Old Town Kern
Site Address: 1006-1014 Baker Street
Bakersfield, CA 93305-4320 County: Kern
Census Tract: 13.000

| Tax Credit Amounts | Federal/Annual | State/Total |
|---------------------------|-----------------------|--------------------|
| Requested: | \$788,228 | \$0 |
| Recommended: | \$788,228 | \$0 |

Applicant Information

Applicant: Housing Authority of the County of Kern
Contact: Stephen M. Pelz
Address: 601 24th Street
Bakersfield, CA 93301
Phone: 661-631-8500 Fax: 661-631-9500
Email: spelz@kernha.org

General partner(s) or principal owner(s): Golden Empire Affordable Housing, Inc. II
Housing Authority of the County of Kern
General Partner Type: Nonprofit
Developer: Housing Authority of the County of Kern
Investor/Consultant: Fred Consulting Associates
Management Agent(s): Housing Authority of the County of Kern

Project Information

Construction Type: New Construction
Total # Residential Buildings: 6
Total # of Units: 50
No. & % of Tax Credit Units: 49 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: HOME / NSP / HUD Section 8 Project-Based Vouchers (49 Units - 100%)
Affordability Breakdown by Units and % (Lowest Income Points):
30% AMI: 6 10 %
45% AMI: 16 30 %
50% AMI: 27 40 %

Information

Set-Aside: N/A
 Housing Type: Large Family
 Geographic Area: Central Valley Region
 TCAC Project Analyst: Benjamin Schwartz

Unit Mix

19 1-Bedroom Units
 16 2-Bedroom Units
 15 3-Bedroom Units

 50 Total Units

| <u>Unit Type & Number</u> | <u>2013 Rents Targeted % of Area Median Income</u> | <u>2013 Rents Actual % of Area Median Income</u> | <u>Proposed Rent (including utilities)</u> |
|-------------------------------|--|--|--|
| 2 1 Bedroom | 30% | 30% | \$322 |
| 6 1 Bedroom | 45% | 45% | \$484 |
| 11 1 Bedroom | 50% | 50% | \$538 |
| 2 2 Bedrooms | 30% | 30% | \$387 |
| 5 2 Bedrooms | 45% | 45% | \$580 |
| 8 2 Bedrooms | 50% | 50% | \$645 |
| 2 3 Bedrooms | 30% | 30% | \$447 |
| 5 3 Bedrooms | 45% | 45% | \$670 |
| 8 3 Bedrooms | 50% | 50% | \$745 |
| 1 2 Bedrooms | Manager's Unit | Manager's Unit | \$0 |

Project Financing

Estimated Total Project Cost: \$13,843,669
 Estimated Residential Project Cost: \$13,386,263
 Estimated Commercial Project Cost: \$457,406

Residential

Construction Cost Per Square Foot: \$165
 Per Unit Cost: \$267,725

Construction Financing

| <u>Source</u> | <u>Amount</u> |
|--------------------------------|---------------|
| Rabobank Construction Loan | \$6,650,000 |
| City of Bakersfield - HOME/NSP | \$3,600,696 |
| City Land Donation | \$160,999 |
| Deferred Developer Fee | \$792,000 |
| Tax Credit Equity | \$2,639,975 |

Permanent Financing

| <u>Source</u> | <u>Amount</u> |
|---|---------------------|
| Rabobank/CCRC Tranche A | \$1,000,000 |
| Rabobank/CCRC Tranche B | \$1,100,000 |
| City of Bakersfield - HOME/NSP | \$3,600,696 |
| City Land Donation | \$160,999 |
| Housing Authority of the County of Kern | \$450,000 |
| Deferred Developer Fee | \$122,632 |
| Tax Credit Equity | \$7,409,342 |
| TOTAL | \$13,843,669 |

Determination of Credit Amount(s)

| | |
|---|----------------------------|
| Requested Eligible Basis: | \$6,736,990 |
| 130% High Cost Adjustment: | Yes |
| Applicable Fraction: | 100.00% |
| Qualified Basis: | \$8,758,087 |
| Applicable Rate: | 9.00% |
| Total Maximum Annual Federal Credit: | \$788,228 |
| Approved Developer Fee in Project Cost: | \$1,648,310 |
| Approved Developer Fee in Eligible Basis: | \$1,398,257 |
| Investor/Consultant: | Fred Consulting Associates |
| Federal Tax Credit Factor: | \$0.94000 |

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: | \$6,736,990 |
| Actual Eligible Basis: | \$12,386,990 |
| Unadjusted Threshold Basis Limit: | \$10,067,910 |
| Total Adjusted Threshold Basis Limit: | \$12,998,937 |

Adjustments to Basis Limit:

Required to Pay Prevailing Wages
 Environmental Mitigation
 Local Development Impact Fees

Tie-Breaker Information

| | |
|---------|---------------------|
| First: | Large Family |
| Second: | 61.633% |

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 9.00% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.20%. 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 Bakersfield, 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 |
| \$788,228 | \$0 |

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation, any Readiness to Proceed Requirements elected, and a Final Reservation. 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 |
| 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 ¼ mile of transit stop, service every 30 min, 25 units/acre density | 7 | 7 | 7 |
| Within ¼ mile of public library | 3 | 3 | 3 |
| Within 1.5 miles of a full-scale grocery/supermarket of at least 25,000 sf | 3 | 3 | 3 |
| Within ¾ mile of a public elementary school | 2 | 2 | 2 |
| Within 1 mile of medical clinic or hospital | 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 |
| Other Services Specialist, minimum ratio of 1 FTE to 600 bedrooms | 5 | 5 | 5 |
| Sustainable Building Methods | 10 | 10 | 10 |
| NEW CONSTRUCTION/ADAPTIVE REUSE | | | |
| Develop project in accordance w/ requirements of: GreenPoint Rated Multifam | 5 | 5 | 5 |
| Develop project to requirements of: GreenPoint Rated Multifami 100 | 3 | 3 | 3 |
| Energy efficiency beyond CA Building Code Title 24 requirements: 17.5% | 2 | 2 | 2 |
| 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 |
| Smoke Free Residence | 1 | 1 | 1 |
| 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.