

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

May 18, 2016

Rocky Hill Veterans, located at 582 Rocky Hill Road in Vacaville, requested and is being recommended for a reservation of \$501,634 in annual federal tax credits to finance the new construction of 38 units of housing serving large families with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Community Development Partners and will be located in Senate District 3 and Assembly District 11.

The project will be receiving rental assistance in the form of HUD VASH Project-based Vouchers. The project financing includes state funding from the VHHP program of HCD.

Project Number CA-16-861

Project Name Rocky Hill Veterans
Site Address: 582 Rocky Hill Road
Vacaville, CA 95688 County: Solano
Census Tract: 2532.040

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$501,634	\$0
Recommended:	\$501,634	\$0

Applicant Information

Applicant: Trower Housing Partners, L.P.
Contact: Eric Paine
Address: 3416 Via Oporto #301
Newport Beach CA 92663
Phone: 949-467-1344 Fax: 949-419-0952
Email: epaine@communitydevpartners.com

General Partner(s) or Principal Owner(s): Community Development Partners
Vacaville Community Housing
Affordable Housing Alliance II, Inc.,
dba Integrity Housing

General Partner Type: Joint Venture
Parent Company(ies): Community Development Partners
Vacaville Community Housing
Affordable Housing Alliance II, Inc.

Developer: Community Development Partners
Investor/Consultant: National Equity Fund, Inc.
Management Agent: Solari Enterprises, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 2
 Total # of Units: 39
 No. & % of Tax Credit Units: 38 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Project-based VASH Vouchers (11 units - 28%)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 35% of area median income: 14
 Number of Units @ or below 60% of area median income: 24

Bond Information

Issuer: California Statewide Communities Development Authority
 Expected Date of Issuance: September 1, 2016
 Credit Enhancement: No

Information

Housing Type: Large Family
 Geographic Area: North and East Bay Region
 TCAC Project Analyst: Mayra Lozano

Unit Mix

12 1-Bedroom Units
 15 3-Bedroom Units
12 4-Bedroom Units
 39 Total Units

<u>Unit Type & Number</u>	<u>2015 Rents Targeted % of Area Median Income</u>	<u>2015 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
11 1 Bedroom	30%	15%	\$209
2 3 Bedrooms	30%	30%	\$581
13 3 Bedrooms	60%	60%	\$1,162
1 4 Bedrooms	30%	30%	\$648
11 4 Bedrooms	60%	60%	\$1,297
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,000,000
Construction Costs	\$7,576,300
Rehabilitation Costs	\$0
Construction Contingency	\$378,815
Relocation	\$0
Architectural/Engineering	\$358,000
Construction Interest, Perm Financing	\$384,312
Legal Fees, Appraisals	\$203,000
Reserves	\$97,411
Other Costs	\$1,914,182
Developer Fee	\$1,400,000
Commercial Costs	\$0
Total	\$13,312,020

Project Financing

Estimated Total Project Cost:	\$13,312,020
Estimated Residential Project Cost:	\$13,312,020
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$166
Per Unit Cost:	\$341,334
Effective Per Unit Cost:	\$298,222

Construction Financing

Source	Amount
Citi Community Capital	\$11,000,000
Seller Carryback Loan	\$1,000,000
Income During Construction	\$74,569
Deferred Developer Fee	\$1,000,000
Tax Credit Equity	\$237,452

Permanent Financing

Source	Amount
Citi Community Capital	\$2,582,216
HCD VHHP Loan	\$3,577,535
AHP	\$380,000
Seller Carryback Loan	\$1,000,000
Income During Construction	\$74,569
Deferred Developer Fee	\$681,365
Tax Credit Equity	\$5,016,335
TOTAL	\$13,312,020

Determination of Credit Amount(s)

Requested Eligible Basis:	\$11,872,984
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$15,434,879
Applicable Rate:	3.25%
Total Maximum Annual Federal Credit:	\$501,634
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,400,000
Investor/Consultant:	National Equity Fund, Inc.
Federal Tax Credit Factor:	\$1.00000

Per Regulation Section 10322(h)(9)(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:	\$11,872,984
Actual Eligible Basis:	\$11,872,984
Unadjusted Threshold Basis Limit:	\$14,063,040
Total Adjusted Threshold Basis Limit:	\$25,687,094

Adjustments to Basis Limit

Local Development Impact Fees
55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 72%

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 are below the minimum operating expenses established in the Regulations (see "Special Issues/Other Significant Information" section), 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

TCAC staff calculated the minimum operating expense to be \$5,400 per unit per year. This project's operating expense minimum has been reduced to \$4,989 per unit per year as allowed by regulation on agreement of the permanent lender and equity investor.

This large family project will target income eligible single veterans and veterans with families.

Local Reviewing Agency

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

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
\$501,634	\$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.

Additional Conditions: None