

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 20, 2016

El Cazador Apartments, located at 4851 North Cedar Avenue in Fresno, requested and is being recommended for a reservation of \$452,088 in annual federal tax credits to finance the acquisition and rehabilitation of 99 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Redwood Housing Services, LLC and is located in Senate District 8 and Assembly District 23.

The project will be receiving rental assistance in the form of a HUD Section 8 Project-based Contract.

Project Number CA-16-896

Project Name El Cazador Apartments
Site Address: 4851 North Cedar Avenue
 Fresno, CA 93726 County: Fresno
Census Tract: 53.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$452,088	\$0
Recommended:	\$452,088	\$0

Applicant Information

Applicant: El Cazador, LP
Contact: Jeffrey Green
Address: 329 Primose Road, #347
 Burlingame, CA 94011
Phone: (415) 691-7470 Fax: (415) 691-7472
Email: jeff@redwoodhousing.com

General Partner(s) or Principal Owner(s): AHA SJV MGP, LLC
 El Cazador Management, LLC
General Partner Type: Joint Venture
Parent Company(ies): Affordable Housing Access, Inc.
 Redwood Housing Realty, LLC
Developer: Redwood Housing Services, LLC
Investor/Consultant: R4 Capital LLC
Management Agent: U.S. Residential Group

Project Information

Construction Type: Acquisition and Rehabilitation
 Total # Residential Buildings: 5
 Total # of Units: 100
 No. & % of Tax Credit Units: 99 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Project-based Section 8 Contract (64 units - 64%)
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 11
 Number of Units @ or below 60% of area median income: 88

Bond Information

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

Information

Housing Type: Non-Targeted
 Geographic Area: Central Valley Region
 TCAC Project Analyst: Mayra Lozano

Unit Mix

40 1-Bedroom Units
 44 2-Bedroom Units
 16 3-Bedroom Units

 100 Total Units

<u>Unit Type & Number</u>	<u>2016 Rents Targeted % of Area Median Income</u>	<u>2016 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
4 1 Bedroom	50%	50%	\$553
24 1 Bedroom	60%	60%	\$663
12 1 Bedroom	60%	60%	\$663
5 2 Bedrooms	50%	50%	\$663
24 2 Bedrooms	60%	60%	\$796
14 2 Bedrooms	60%	60%	\$796
2 3 Bedrooms	50%	50%	\$766
5 3 Bedrooms	60%	58%	\$896
9 3 Bedrooms	60%	58%	\$896
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$737

Project Cost Summary at Application

Land and Acquisition	\$8,950,000
Construction Costs	\$0
Rehabilitation Costs	\$2,732,751
Construction Contingency	\$273,275
Relocation	\$50,000
Architectural/Engineering	\$165,466
Const. Interest, Perm. Financing	\$540,990
Legal Fees, Appraisals	\$252,500
Reserves	\$234,528
Other Costs	\$213,521
Developer Fee	\$1,814,401
Commercial Costs	\$0
Total	\$15,227,432

Project Financing

Estimated Total Project Cost:	\$15,227,432
Estimated Residential Project Cost:	\$15,227,432
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$33
Per Unit Cost:	\$152,274
True Cash Per Unit Cost*:	\$147,022

Construction Financing

Source	Amount
Citibank	\$12,000,000
Net Operating Income	\$292,845
Tax Credit Equity	\$2,934,587

Permanent Financing

Source	Amount
Citibank	\$9,572,000
Net Operating Income	\$292,845
Deferred Developer Fee	\$525,242
Tax Credit Equity	\$4,837,345
TOTAL	\$15,227,432

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$4,376,303
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$9,534,105
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$4,376,303
Qualified Basis (Acquisition):	\$9,534,105
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	\$142,230
Maximum Annual Federal Credit, Acquisition:	\$309,858
Total Maximum Annual Federal Credit:	\$452,088
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,814,401
Investor/Consultant:	R4 Capital LLC
Federal Tax Credit Factor:	\$1.07000

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:	\$13,910,408
Actual Eligible Basis:	\$13,910,408
Unadjusted Threshold Basis Limit:	\$22,730,584
Total Adjusted Threshold Basis Limit:	\$25,230,948

Adjustments to Basis Limit

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 11%

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: None

Local Reviewing Agency

The Local Reviewing Agency, City of Fresno, 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
\$452,088	\$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