

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**2016 Waiting List Project**  
**November 16, 2016**

Bow Street Apartments, located at 8627 Bow Street in Elk Grove, requested and is being recommended for a reservation of \$1,524,480 in annual federal tax credits to finance the new construction of 97 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 Pacific West Communities, Inc. and will be located in Senate District 6 and Assembly District 9.

**Project Number** CA-16-158

**Project Name** Bow Street Apartments  
**Site Address:** 8627 Bow Street  
 Elk Grove, CA 95624 County: Sacramento  
**Census Tract:** 93.220

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,524,480	\$0
Recommended:	\$1,524,480	\$0

**Applicant Information**

**Applicant:** Elk Grove Pacific Associates II, a California Limited Partnership  
**Contact:** Caleb Roope  
**Address:** 430 E. State Street, Suite 100  
 Eagle, ID 83616  
**Phone:** 208.461.0022 Fax: 208.461.3267  
**Email:** calebr@tpchousing.com

**General Partner(s) / Principal Owner(s):** TPC Holdings V, LLC  
 Kelley Ventures, LLC  
 Pacific Housing, Inc.

**General Partner Type:** Joint Venture

**Parent Company(ies):** TPC Holdings V, LLC  
 Kelley Ventures, LLC  
 Pacific Housing, Inc.

**Developer:** Pacific West Communities, Inc.

**Investor/Consultant:** Boston Capital

**Management Agent(s):** U.S. Residential Group, LLC

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 4  
 Total # of Units: 98  
 No. & % of Tax Credit Units: 97 100%  
 Federal Set-Aside Elected: 40%/60%  
 Affordability Breakdown by Units and % (Lowest Income Points):  
 30% AMI: 10 10 %  
 45% AMI: 25 25 %  
 50% AMI: 40 40 %

**Information**

Set-Aside: N/A  
 Housing Type: Large Family  
 Geographic Area: Capital and Northern Region  
 TCAC Project Analyst: Lucy Vang

**Unit Mix**

24 1-Bedroom Units  
 49 2-Bedroom Units  
 25 3-Bedroom Units  


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 98 Total Units

<u>Unit Type &amp; 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>
2 1 Bedroom	30%	30%	\$390
7 1 Bedroom	45%	45%	\$586
10 1 Bedroom	50%	50%	\$651
5 1 Bedroom	60%	60%	\$781
5 2 Bedrooms	30%	30%	\$468
12 2 Bedrooms	45%	45%	\$703
20 2 Bedrooms	50%	50%	\$781
11 2 Bedrooms	60%	60%	\$937
3 3 Bedrooms	30%	30%	\$541
6 3 Bedrooms	45%	45%	\$812
10 3 Bedrooms	50%	50%	\$902
6 3 Bedrooms	60%	60%	\$1,083
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$1,005,000
Construction Costs	\$15,132,781
Rehabilitation Costs	\$0
Construction Contingency	\$750,000
Relocation	\$0
Architectural/Engineering	\$645,000
Const. Interest, Perm. Financing	\$783,100
Legal Fees, Appraisals	\$70,000
Reserves	\$281,244
Other Costs	\$4,421,920
Developer Fee	\$1,400,000
Commercial Costs	\$0
<b>Total</b>	<b>\$24,489,045</b>

**Project Financing**

Estimated Total Project Cost:	\$24,489,045
Estimated Residential Project Cost:	\$24,489,045
Estimated Commercial Project Cost:	\$0

**Residential**

Construction Cost Per Square Foot:	\$150
Per Unit Cost:	\$249,888
True Cash Per Unit Cost*:	\$236,206

**Construction Financing**

Source	Amount
Boston Capital Finance	\$13,357,269
City of Elk Grove	\$5,000,000
County of Sacramento Fee Waiver	\$1,340,904
Deferred Costs	\$281,244
Deferred Developer Fee	\$1,400,000
Tax Credit Equity	\$3,109,628

**Permanent Financing**

Source	Amount
Boston Capital Finance	\$2,600,000
City of Elk Grove	\$5,000,000
County of Sacramento Fee Waiver	\$1,340,904
Tax Credit Equity	\$15,548,141
<b>TOTAL</b>	<b>\$24,489,045</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$13,029,740
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$16,938,662
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,524,480
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,400,000
Investor/Consultant:	Boston Capital
Federal Tax Credit Factor:	\$1.01990

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:	\$13,029,740
Actual Eligible Basis:	\$22,929,740
Unadjusted Threshold Basis Limit:	\$22,439,280
Total Adjusted Threshold Basis Limit:	\$24,823,235

**Adjustments to Basis Limit**

Local Development Impact Fees

**Tie-Breaker Information**

First:	<b>Large Family</b>
Final:	<b>34.685%</b>

**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 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 9.0% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.21%. 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 Elk Grove, 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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$1,524,480</b>	<b>\$0</b>

### **Standard Conditions**

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. 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 fifteen 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

<b>Points System</b>	<b>Max. Possible Points</b>	<b>Requested Points</b>	<b>Points Awarded</b>
<b>Cost Efficiency / Credit Reduction / Public Funds</b>	<b>20</b>	<b>20</b>	<b>20</b>
Public Funds	20	20	20
<b>Owner / Management Characteristics</b>	<b>9</b>	<b>9</b>	<b>9</b>
General Partner Experience	6	6	6
Management Experience	3	3	3
<b>Housing Needs</b>	<b>10</b>	<b>10</b>	<b>10</b>
<b>Site Amenities</b>	<b>15</b>	<b>15</b>	<b>15</b>
Within 1/8 mile of transit (van or dial-a-ride service for rural set-aside)	4	4	4
Within 1/2 mile of public park or community center open to general public	3	3	3
Within 1/2 mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within 1 mile of a public high school	3	3	3
<b>Service Amenities</b>	<b>10</b>	<b>10</b>	<b>10</b>
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	7	7	7
Health & wellness services and programs, minimum 60 hrs per 100 bdrms	3	3	3
<b>Sustainable Building Methods</b>	<b>5</b>	<b>5</b>	<b>5</b>
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: GreenPoint Rated Program	5	5	5
<b>Lowest Income</b>	<b>52</b>	<b>52</b>	<b>52</b>
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
<b>Readiness to Proceed</b>	<b>15</b>	<b>15</b>	<b>15</b>
<b>Miscellaneous Federal and State Policies</b>	<b>2</b>	<b>2</b>	<b>2</b>
State Credit Substitution	2	2	2
<b>Total Points</b>	<b>138</b>	<b>138</b>	<b>138</b>

**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.**