

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**Tax-Exempt Bond Project**

**December 14, 2016**

Meadows Court / Holly Lane Apartments, located at 501 and 531 Rocky Hill Road; 507, 513, 519, 525 Meadows Court; 106, 107, 112, 113, 118, 119, and 124 Holly Lane in Vacaville, requested and is being recommended for a reservation of \$674,992 in annual federal tax credits to finance the acquisition and rehabilitation of 80 units of housing serving tenants with rents affordable to households earning 50-60% AMI of area median income (AMI). The project will be developed by Community Development Partners and is located in Senate District 3 and Assembly District 11.

**Project Number** CA-16-998

**Project Name** Meadows Court / Holly Lane Apartments  
**Site Address:** 501 and 531 Rocky Hill Road; 507, 513, 519, 525 Meadows Court;  
106, 107, 112, 113, 118, 119, and 124 Holly Lane  
Vacaville, CA 95688 County: Solano  
**Census Tract:** 2532.040

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$674,992	\$0
Recommended:	\$674,992	\$0

**Applicant Information**

**Applicant:** Meadows Holly Partners, L.P.  
**Contact:** Kyle Paine  
**Address:** 3416 Via Oporto, Ste. 301  
Newport Beach, CA 92663  
**Phone:** 949-467-1344 **Fax:** 949-419-0952  
**Email:** kpaine@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., dba Integrity  
Housing  
**Developer:** Community Development Partners  
**Investor/Consultant:** National Equity Fund, Inc.  
**Management Agent:** AWI Management Corporation

**Project Information**

Construction Type: Acquisition & Rehabilitation  
 Total # Residential Buildings: 26  
 Total # of Units: 82  
 No. & % of Tax Credit Units: 80 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt  
 HCD MHP Funding: No  
 Number of Units @ or below 50% of area median income: 9  
 Number of Units @ or below 60% of area median income: 71

**Bond Information**

Issuer: California Statewide Communities Development Authority  
 Expected Date of Issuance: April 1, 2017  
 Credit Enhancement: N/A

**Information**

Housing Type: Non-Targeted  
 Geographic Area: North and East Bay Region  
 TCAC Project Analyst: Alex Ninh

**Unit Mix**

2 SRO/Studio Units  
 15 1-Bedroom Units  
 65 2-Bedroom Units  


---

 82 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	50%	50%	\$728
13 1 Bedroom	60%	60%	\$873
2 2 Bedrooms	50%	50%	\$873
13 2 Bedrooms	60%	60%	\$1,048
5 2 Bedrooms	50%	50%	\$873
45 2 Bedrooms	60%	60%	\$1,048
2 SRO/Studio	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$10,314,617
Construction Costs	\$0
Rehabilitation Costs	\$5,177,480
Construction Contingency	\$517,748
Relocation	\$204,500
Architectural/Engineering	\$270,500
Const. Interest, Perm. Financing	\$538,658
Legal Fees, Appraisals	\$188,000
Reserves	\$181,617
Other Costs	\$204,524
Developer Fee	\$2,404,840
Commercial Costs	\$0
<b>Total</b>	<b>\$20,002,484</b>

**Project Financing**

Estimated Total Project Cost:	\$20,002,484
Estimated Residential Project Cost:	\$20,002,484
Estimated Commercial Project Cost:	\$0

**Residential**

Construction Cost Per Square Foot:	\$75
Per Unit Cost:	\$243,933
True Cash Per Unit Cost*:	\$222,675

**Construction Financing**

Source	Amount
Citi Community Capital	\$12,670,451
City of Vacaville (Assumed)	\$5,576,590
Deferred Developer Fee	\$1,404,937
Tax Credit Equity	\$350,506

**Permanent Financing**

Source	Amount
Citi Community Capital	\$5,730,356
City of Vacaville (Assumed)	\$5,576,590
Seller Carryback Loan	\$803,727
Deferred Developer Fee	\$939,391
Tax Credit Equity	\$6,952,420
<b>TOTAL</b>	<b>\$20,002,484</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$7,772,977
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$10,664,128
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$10,104,870
Qualified Basis (Acquisition):	\$10,664,128
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	\$328,408
Maximum Annual Federal Credit, Acquisition:	\$346,584
Total Maximum Annual Federal Credit:	\$674,992
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,404,840
Investor/Consultant:	National Equity Fund, Inc.
Federal Tax Credit Factor:	\$1.03000

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:	\$18,437,105
Actual Eligible Basis:	\$18,437,105
Unadjusted Threshold Basis Limit:	\$23,977,392
Total Adjusted Threshold Basis Limit:	\$26,614,905

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

This project’s annual per unit operating expense total is below the TCAC published per unit operating expense minimums of \$5,200. As allowed by TCAC Regulation Section 10327(g)(1), TCAC approves an annual per unit operating expense total of \$4,646 in agreement with the permanent lender and equity investor.

**Local Reviewing Agency**

The Local Reviewing Agency, City of Vacaville, 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>\$674,992</b>	<b>\$0</b>

**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.