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

Tax Credit Amounts

<table>
<thead>
<tr>
<th>Federal/Annual</th>
<th>State/Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Requested</td>
<td>$674,992</td>
</tr>
<tr>
<td>Recommended</td>
<td>$674,992</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Unit Type &amp; Number</th>
<th>2016 Rents Targeted</th>
<th>2016 Rents Actual</th>
<th>Proposed Rent (including utilities)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>% of Area Median Income</td>
<td>% of Area Median Income</td>
<td></td>
</tr>
<tr>
<td>2 1 Bedroom</td>
<td>50%</td>
<td>50%</td>
<td>$728</td>
</tr>
<tr>
<td>13 1 Bedroom</td>
<td>60%</td>
<td>60%</td>
<td>$873</td>
</tr>
<tr>
<td>2 2 Bedrooms</td>
<td>50%</td>
<td>50%</td>
<td>$873</td>
</tr>
<tr>
<td>13 2 Bedrooms</td>
<td>60%</td>
<td>60%</td>
<td>$1,048</td>
</tr>
<tr>
<td>5 2 Bedrooms</td>
<td>50%</td>
<td>50%</td>
<td>$873</td>
</tr>
<tr>
<td>45 2 Bedrooms</td>
<td>60%</td>
<td>60%</td>
<td>$1,048</td>
</tr>
<tr>
<td>2 SRO/Studio</td>
<td>Manager’s Unit</td>
<td>Manager’s Unit</td>
<td>$0</td>
</tr>
</tbody>
</table>
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
- Total: $20,002,484

Project Financing

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

Estimated Cost Per Square Foot: $75

Residential

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

Construction Financing

<table>
<thead>
<tr>
<th>Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Citi Community Capital</td>
<td>$12,670,451</td>
</tr>
<tr>
<td>City of Vacaville (Assumed)</td>
<td>$5,576,590</td>
</tr>
<tr>
<td>Deferred Developer Fee</td>
<td>$1,404,937</td>
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<tr>
<td>Tax Credit Equity</td>
<td>$350,506</td>
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</tbody>
</table>

Permanent Financing

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

*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:

<table>
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<th>Federal Tax Credits/Annual</th>
<th>State Tax Credits/Total</th>
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**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.