

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

May 17, 2017

Sun Ridge Apartments, located at 1265 & 1271 Monument Blvd. in Concord, requested and is being recommended for a reservation of \$1,780,437 in annual federal tax credits to finance the acquisition and rehabilitation of 196 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Community HousingWorks and is located in Senate District 7 and Assembly District 14.

Sunridge Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Concord Greenbriar (CA-1999-815). See **Special Issues/Other Significant Information** below for additional re-syndication information.

Project Number CA-17-747

Project Name Sun Ridge Apartments
Site Address: 1265 & 1271 Monument Blvd
Concord, CA 94520 County: Contra Costa
Census Tract: 3362.02

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,780,437	\$0
Recommended:	\$1,780,437	\$0

Applicant Information

Applicant: Monument Boulevard Housing Associates, L.P.
Contact: Anne B. Wilson
Address: 2815 Camino del Rio South, Suite 350
San Diego, CA 92108
Phone: 619-450-8709 Fax: 619-282-4145
Email: awilson@chworks.org

General Partner(s) or Principal Owner(s): Concord Victory Lane, LLC
General Partner Type: Nonprofit
Parent Company(ies): Community HousingWorks
Developer: Community HousingWorks
Investor/Consultant: California Housing Partnership Corporation
Management Agent: ConAm Management

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 16
 Total # of Units: 198
 No. & % of Tax Credit Units: 196 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 20
 Number of Units @ or below 60% of area median income: 176

Bond Information

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

Information

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

Unit Mix

84 1-Bedroom Units
 100 2-Bedroom Units
14 3-Bedroom Units
 198 Total Units

Unit Type & Number	2016 Rents Targeted % of Area Median Income	2016 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
75 1 Bedroom	60%	60%	\$1,097
9 1 Bedroom	50%	50%	\$914
7 2 Bedrooms	60%	60%	\$1,316
1 2 Bedrooms	50%	50%	\$1,097
61 2 Bedrooms	60%	60%	\$1,316
7 2 Bedrooms	50%	50%	\$1,097
20 2 Bedrooms	60%	60%	\$1,316
2 2 Bedrooms	50%	50%	\$1,097
13 3 Bedrooms	60%	60%	\$1,520
1 3 Bedrooms	50%	50%	\$1,267
2 2 Bedrooms	Manager's Unit	Manager's Unit	\$1,198

Projected Lifetime Rent Benefit: \$77,748,396

Project Cost Summary at Application

Land and Acquisition	\$33,746,123
Construction Costs	\$0
Rehabilitation Costs	\$10,895,010
Construction Contingency	\$1,073,830
Relocation	\$659,600
Architectural/Engineering	\$585,813
Const. Interest, Perm. Financing	\$2,517,092
Legal Fees, Appraisals	\$126,000
Reserves	\$661,458
Other Costs	\$604,466
Developer Fee	\$6,528,100
Commercial Costs	\$0
Total	\$57,397,492

Project Financing

Estimated Total Project Cost:	\$57,397,492
Estimated Residential Project Cost:	\$57,397,492
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$76
Per Unit Cost:	\$289,886
True Cash Per Unit Cost*:	\$289,886

Construction Financing

Source	Amount
JLL Capital Markets	\$24,013,000
Seller Carry Back Loan	\$9,917,907
Income from Operations	\$1,724,855
General Partner Loan	\$717,265
General Partner Equity	\$65,750
Deferred Costs	\$3,173,180
Deferred Developer Fee	\$3,068,100
Tax Credit Equity	\$14,717,435

Permanent Financing

Source	Amount
JLL Capital Markets	\$24,013,000
Seller Carry Back Loan	\$9,917,907
Income from Operations	\$1,724,855
General Partner Equity	\$65,750
General Partner Loan	\$717,265
Deferred Developer Fee	\$3,068,100
Tax Credit Equity	\$17,890,615
TOTAL	\$57,397,492

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$15,778,976
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$34,270,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$20,512,669
Qualified Basis (Acquisition):	\$34,270,000
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	\$666,662
Maximum Annual Federal Credit, Acquisition:	\$1,113,775
Total Maximum Annual Federal Credit:	\$1,780,437
Approved Developer Fee (in Project Cost & Eligible Basis):	\$6,528,100
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$1.00484

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:	\$50,048,976
Actual Eligible Basis:	\$50,048,976
Unadjusted Threshold Basis Limit:	\$59,717,864
Total Adjusted Threshold Basis Limit:	\$65,689,650

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: 10%

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

Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-1999-815). To be eligible for a new award of tax credits, the owner must provide documentation with the Form 8609 request (the placed in service submission) that the acquisition date and the placed in service date both occurred after the existing federal 15 year compliance period was completed. The initial 15 year compliance period is from 01/01/2000 through 12/31/2015. The existing regulatory agreement expires 12/31/2029. The existing regulatory agreement income targeting is 20 units at or below 50% AMI, 176 units at or below 60% AMI. The newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreement(s) and any deeper targeting levels in the new regulatory agreement(s) for the duration of the new regulatory agreement(s).

The project is a resyndication occurring concurrently with a Transfer Event with distribution of Net Project Equity. The project is currently subject to a Capital Needs Agreement due to a prior Transfer Event. There is a capitalized replacement reserve in the amount of \$37,500 which will continue to stay with the project. This Subsequent Transfer Event requires either a seller carryback note or a general partner equity contribution in the amount of \$51,359. There is a seller carryback note in the amount of \$65,750 satisfying such requirement.

Local Reviewing Agency

The Local Reviewing Agency, The City of Concord, 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
\$1,780,437	\$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