

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Hybrid Tax-Exempt Bond Project

May 17, 2017

Bow Street Apartments II, located at 8627 Bow Street in Elk Grove, requested and is being recommended for a reservation of \$444,232 in annual federal tax credits to finance the new construction of 48 units of housing serving large families with rents affordable to households earning 35-60% 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-17-751

Project Name Bow Street Apartments II
Site Address: 8627 Bow Street
Elk Grove, CA 95624 County: Sacramento
Census Tract: 93.22

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$444,232	\$0
Recommended:	\$444,232	\$0

Applicant Information

Applicant: Elk Grove Pacific Associates III, 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) or 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: Wells Fargo

Management Agent: U.S. Residential Group LLC

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 2
 Total # of Units: 48
 No. & % of Tax Credit Units: 48 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 35% of area median income: 3
 Number of Units @ or below 50% of area median income: 26
 Number of Units @ or below 60% of area median income: 19

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: August 31, 2017
 Credit Enhancement: N/A

Information

Housing Type: Large Family
 Geographic Area: Capital & Northern Region
 TCAC Project Analyst: DC Navarrette

Unit Mix

12 1-Bedroom Units
 24 2-Bedroom Units
12 3-Bedroom Units
 48 Total Units

Unit Type & Number	2016 Rents Targeted % of Area Median Income	2016 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
1 1 Bedroom	30%	30%	\$390
1 1 Bedroom	45%	45%	\$586
6 1 Bedroom	50%	50%	\$651
4 1 Bedroom	60%	60%	\$781
1 2 Bedrooms	30%	30%	\$468
1 2 Bedrooms	45%	45%	\$703
12 2 Bedrooms	50%	50%	\$781
10 2 Bedrooms	60%	60%	\$937
1 3 Bedrooms	30%	30%	\$541
1 3 Bedrooms	45%	45%	\$812
5 3 Bedrooms	50%	50%	\$902
5 3 Bedrooms	60%	60%	\$1,083

Projected Lifetime Rent Benefit: \$21,641,532

Project Cost Summary at Application

Land and Acquisition	\$0
Construction Costs	\$7,790,853
Rehabilitation Costs	\$0
Construction Contingency	\$400,000
Relocation	\$0
Architectural/Engineering	\$317,500
Const. Interest, Perm. Financing	\$720,000
Legal Fees, Appraisals	\$70,000
Reserves	\$144,896
Other Costs	\$1,705,396
Developer Fee	\$400,000
Commercial Costs	\$0
Total	\$11,548,645

Project Financing

Estimated Total Project Cost:	\$11,548,645
Estimated Residential Project Cost:	\$11,548,645
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$164
Per Unit Cost:	\$240,597
True Cash Per Unit Cost*:	\$226,914

Construction Financing

Source	Amount
Wells Fargo	\$7,840,154
City of Elk Grove	\$1,880,000
County of Sacramento Fee Waiver	\$656,769
Deferred Costs	\$144,896
Deferred Developer Fee	\$400,000
Tax Credit Equity	\$626,826

Permanent Financing

Source	Amount
CCRC	\$1,750,000
City of Elk Grove	\$4,700,000
County of Sacramento Fee Waiver	\$656,769
Tax Credit Equity	\$4,441,876
TOTAL	\$11,548,645

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$10,514,357
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$13,668,664
Applicable Rate:	3.25%
Total Maximum Annual Federal Credit:	\$444,232
Approved Developer Fee (in Project Cost & Eligible Basis):	\$400,000
Investor/Consultant:	Wells Fargo
Federal Tax Credit Factor:	\$0.99990

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:	\$10,514,357
Actual Eligible Basis:	\$11,171,126
Unadjusted Threshold Basis Limit:	\$13,924,584
Total Adjusted Threshold Basis Limit:	\$23,873,313

Adjustments to Basis Limit

Local Development Impact Fees

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 54%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 12%

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

This application was originally allocated credits as Bow Street Apartments CA-16-158. The project was subsequently split into this 4% component and a 9% component.

The 9% component of this project has a manager's unit to serve tenants in both pieces of the property.

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:

Federal Tax Credits/Annual
\$444,232

State Tax Credits/Total
\$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.