

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2017 First Round

June 7, 2017

REVISED

Crossings on Aston, located at 706-708 Aston Ave. (future address 1500-1555 John Richards Way) in Santa Rosa, requested and is being recommended for a reservation of \$404,536 in annual federal tax credits and \$1,618,146 in total state tax credits to finance the new construction of 26 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 UHC 00596 Santa Rosa Development LLC and will be located in Senate District 2 and Assembly District 10.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

Project Number CA-17-723

Project Name Crossings on Aston
Site Address: 706-708 Aston Ave. (future address 1500-1555 John Richards Way)
Santa Rosa, CA 94504 County: Sonoma
Census Tract: 1514.010

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$404,536	\$1,618,146
Recommended:	\$404,536	\$1,618,146

* The applicant made an irrevocable election not to sell (Certificate) any portion of the state credits.

Applicant Information

Applicant: UHC 00596 Santa Rosa, L.P.
Contact: John F. Bigley
Address: 2000 E. 4th Street, Suite 205
Santa Ana, CA 92705
Phone: (714) 835-3955 Fax: (714) 835-3275
Email: JBigley@uhcllc.net

General Partner(s) / Principal Owner(s): Central Valley Coalition for Affordable Housing
UHC 00596 Santa Rosa Holdings LLC
General Partner Type: Joint Venture
Parent Company(ies): Central Valley Coalition for Affordable Housing
Urban Housing Communities LLC
Developer: UHC 00596 Santa Rosa Development LLC
Investor/Consultant: RBC Capital Markets
Management Agent: AWI Management Corporation

Project Information

Construction Type: New Construction
Total # Residential Buildings: 14
Total # of Units: 27
No. & % of Tax Credit Units: 26 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / CDBG / HUD Section 8 Project-Based
Vouchers (6 Units - 23%)
HCD MHP Funding: No
Utility Allowance: CUAC
Affordability Breakdown by Units and % (Lowest Income Points):
30% AMI: 4 15 %
40% AMI: 5 15 %
50% AMI: 11 40 %

Affordability Breakdown by % (Basis Limit Increase):
Number of Units @ or below 35% of area median income: 4
Number of Units @ or below 50% of area median income: 17
Number of Units @ or below 60% of area median income: 5

Bond Information

Issuer: City of Santa Rosa
Expected Date of Issuance: 09/15/17
Credit Enhancement: N/A

Information

Housing Type: Large Family
Geographic Area: North and East Bay Region
TCAC Project Analyst: DC Navarrette

Unit Mix

3 1-Bedroom Units
24 3-Bedroom Units
<hr/>
27 Total Units

<u>Unit Type & 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>
1 1 Bedroom	30%	30%	\$463
1 1 Bedroom	45%	45%	\$695
3 3 Bedrooms	30%	30%	\$642
3 3 Bedrooms	40%	40%	\$857
2 3 Bedrooms	40%	40%	\$857
11 3 Bedrooms	50%	50%	\$1,071
5 3 Bedrooms	60%	60%	\$1,285
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$31,951,920

Project Cost Summary at Application

Land and Acquisition	\$1,500,000
Construction Costs	\$7,726,245
Rehabilitation Costs	\$0
Construction Contingency	\$435,408
Relocation	\$0
Architectural/Engineering	\$228,800
Const. Interest, Perm. Financing	\$1,192,477
Legal Fees, Appraisals	\$182,000
Reserves	\$93,000
Other Costs	\$1,392,295
Developer Fee	\$950,000
Commercial Costs	\$0
Total	\$13,700,225

Project Financing

Estimated Total Project Cost:	\$13,700,225
Estimated Residential Project Cost:	\$13,700,225
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$200
Per Unit Cost:	\$507,416
True Cash Per Unit Cost*:	\$494,127

Construction Financing

Source	Amount
Citibank	\$7,105,000
Santa Rosa Housing Authority	\$5,486,685
Deferred Developer Fee	\$596,298
Tax Credit Equity	\$512,242

Permanent Financing

Source	Amount
Citibank Tranche A	\$1,690,767
Citibank Tranche B	\$1,042,544
Santa Rosa Housing Authority	\$5,486,685
Deferred Developer Fee	\$358,797
Tax Credit Equity	\$5,121,432
TOTAL	\$13,700,225

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$12,447,276
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$12,447,276
Applicable Rate:	3.25%
Total Maximum Annual Federal Credit:	\$404,536
Total State Credit:	\$1,618,146
Approved Developer Fee (in Project Cost & Eligible Basis):	\$950,000
Investor/Consultant:	RBC Capital Markets
Federal Tax Credit Factor:	\$0.97000
State Tax Credit Factor:	\$0.74000

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:	\$12,447,276
Actual Eligible Basis:	\$12,447,276
Unadjusted Threshold Basis Limit:	\$10,759,068
Total Adjusted Threshold Basis Limit:	\$20,980,183

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: 65%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 30%

Tie-Breaker Information

Final: 53.417%

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: 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, the City of Santa Rosa, 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
\$404,536

State Tax Credits/Total
\$1,618,146

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.

The applicant must submit all documentation required for any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation.

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 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.

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.

Points System	Max. Possible Points	Requested Points	Points Awarded
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within 1/3 mile of transit, service every 30 minutes in rush hours	6	6	6
Within 1/2 mile of public park or community center open to general public	3	3	3
Within 1/4 mile of a neighborhood market of at least 5,000 sf	4	4	4
Within 1.5 miles of a public high school	2	2	2
Within 1/2 mile of a pharmacy	2	2	2
Service Amenities	10	10	10
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
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements of: GreenPoint Rated	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed	15	15	15
Total Points	116	116	116

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.