

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2017 First Round
July 19, 2017

Church Lane and Idaho Apartments, located at 2555 Church Lane in San Pablo and 10203 San Pablo Avenue in El Cerrito, requested and is being recommended for a reservation of \$783,961 in annual federal tax credits and \$1,739,142 in total state tax credits to finance the acquisition and rehabilitation of 49 units of housing serving special needs tenants with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Resources for Community Development and will be located in Senate District 9 and Assembly District 15.

Church Lane and Idaho Apartments are a re-syndications of existing Low Income Housing Tax Credit (LIHTC) projects, Church Lane Apartments CA-1994-080 and Idaho Motel CA-1998-033. See **Special Issues/Other Significant Information** below for additional resyndication information. The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers. The project financing includes state funding from the MHP program of HCD.

Project Number CA-17-726

Project Name Church Lane and Idaho Apartments

Site Address:	Church Lane 2555 Church Lane San Pablo, CA 94806	Idaho Apartments 10203 San Pablo Avenue El Cerrito, CA 94530
Census Tract:	3690.01	3892.00 & 3830.00
County:	Contra Costa	

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$783,961	\$1,739,142
Recommended:	\$783,961	\$1,739,142

* The applicant made an irrevocable election to sell (Certificate) all or any portion of the state credits.

Applicant Information

Applicant: Resources for Community Development
 Contact: Daniel Sawislak
 Address: 2220 Oxford Street
 Berkeley, CA 94704
 Phone: 510-841-4410 Fax: 510-548-3502
 Email: blyon@rcdhousing.org

General Partner(s) / Principal Owner(s): RCD GP LLC
 General Partner Type: Nonprofit
 Parent Company(ies): Resources for Community Development
 Developer: Resources for Community Development
 Investor/Consultant: Community Economics
 Management Agent: The John Stewart Company

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 5
 Total # of Units: 51
 No. & % of Tax Credit Units: 49 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-Based Vouchers (78% - 38 units)
 CDBG / HOPWA / HOME
 HCD MHP Funding: Yes
 Average Targeted Affordability of Special Needs/SRO Project Units: 33%
 Affordability Breakdown by Units and % (Lowest Income Points):
 30% AMI: 25 50 %
 40% AMI: 7 10 %
 50% AMI: 7 10 %
 Affordability Breakdown by % (Basis Limit Increase):
 Number of Units @ or below 35% of area median income: 25
 Number of Units @ or below 50% of area median income: 14
 Number of Units @ or below 60% of area median income: 10

Bond Information

Issuer: California Municipal Finance Agency
 Expected Date of Issuance: 09/01/17
 Credit Enhancement: N/A

Information

Housing Type: Special Needs
 Type of Special Needs: Homeless/ Formerly Homeless
 % of Special Need Units: 57%
 Geographic Area: North and East Bay Region
 TCAC Project Analyst: Marlene McDonough

Unit Mix

28 SRO/Studio Units
8 1-Bedroom Units
7 2-Bedroom Units
6 3-Bedroom Units
2 4-Bedroom Units
<hr/>
51 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>
<u>Idaho Apartments</u>			
21 SRO/Studio	30%	30%	\$512
7 SRO/Studio	40%	40%	\$683
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0
<u>Church Lane</u>			
1 1 Bedroom	30%	30%	\$548
3 1 Bedroom	50%	50%	\$914
1 1 Bedroom	60%	50%	\$916
2 1 Bedroom	60%	60%	\$1,097
1 2 Bedrooms	30%	30%	\$658
2 2 Bedrooms	50%	50%	\$1,097
3 2 Bedrooms	60%	50%	\$1,097
1 3 Bedrooms	30%	30%	\$760
2 3 Bedrooms	50%	50%	\$1,267
3 3 Bedrooms	60%	50%	\$1,277
1 4 Bedrooms	30%	30%	\$848
1 4 Bedrooms	60%	50%	\$1,425
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$33,679,800

Project Cost Summary at Application

Land and Acquisition	\$6,093,175
Construction Costs	\$0
Rehabilitation Costs	\$7,552,025
Construction Contingency	\$1,522,040
Relocation	\$645,000
Architectural/Engineering	\$644,000
Const. Interest, Perm. Financing	\$901,935
Legal Fees, Appraisals	\$115,000
Reserves	\$859,091
Other Costs	\$890,218
Developer Fee	\$2,622,846
Commercial Costs	\$0
Total	\$21,845,331

Project Financing

Estimated Total Project Cost:	\$21,845,331
Estimated Residential Project Cost:	\$21,845,331
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$256
Per Unit Cost:	\$428,340
True Cash Per Unit Cost*:	\$418,536

Construction Financing

Source	Amount
Bank of the West	\$12,630,000
CC County Loan ¹	\$1,756,331
CC County CDBG/HOPWA/HOME ²	\$1,265,587
City of El Cerrito Loan ²	\$432,250
Seller Carryback Loan ^{1 & 2}	\$2,208,513
Sponser Loan	\$121,000
Tax Credit Equity	\$1,100,000

Permanent Financing

Source	Amount
Bank of the West Tranche B	\$1,946,000
CC County Loan ¹	\$1,756,331
CC County CDBG/HOPWA/HOME ²	\$1,265,587
City of El Cerrito Loan ²	\$432,250
MHP - Supportive Housing ²	\$3,162,564
AHP	\$490,000
Seller Carryback Loan ^{1 & 2}	\$2,208,513
Sponser Loan	\$121,000
Deferred Developer Fee	\$500,000
General Partner Equity	\$1,173,346
Tax Credit Equity	\$8,789,740
TOTAL	\$21,845,331

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

¹ Church Lane

² Idaho Apartments

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$13,378,016
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$6,730,469
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$17,391,421
Applicable Rate:	3.25%
Qualified Basis (Acquisition):	\$6,730,469
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	\$565,221
Maximum Annual Federal Credit, Acquisition:	\$218,740
Total Maximum Annual Federal Credit:	\$783,961
Total State Credit:	\$1,739,142
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,622,846
Investor/Consultant:	Community Economics
Federal Tax Credit Factor:	\$0.94372
State Tax Credit Factor:	\$0.80000

Per Regulation Section 10327(c)(6), 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:	\$20,108,485
Actual Eligible Basis:	\$20,108,485
Unadjusted Threshold Basis Limit:	\$14,103,860
Total Adjusted Threshold Basis Limit:	\$35,259,650

Adjustments to Basis Limit:

- Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages
- 55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 28%
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 102%

Tie-Breaker Information

Final: **46.210%**

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

The proposed rent for the Idaho Apartments site does not include any utility allowance. The owner will pay for all utilities.

This project involves the substantial rehabilitation of 2 scattered-sites originally constructed in the 1990s in the cities of El Cerrito and San Pablo.

Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreements (CA-1994-080 for Church Lane and CA-1998-033 for Idaho Apartments). 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 for Church Lane is from 01/01/1997 through 12/31/2011 and the initial 15 year compliance period for Idaho Apartments is from 01/01/2000 through 12/31/2014. The existing regulatory agreement for Church Lane expires 12/31/2051 and the existing regulatory agreement for Idaho Apartments expires 12/31/2054. The existing regulatory agreement income targeting for Church Lane is 9 units at or below 50% AMI (with the remaining 12 units at or below 60% AMI). The existing regulatory agreement income targeting for Idaho Apartments is that the average income of tenants is at or below 35% 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).

This project is the resyndication of an existing tax credit projects, CA-1994-080 for Church Lane and CA-1998-033 for Idaho, both of which are under 55-year TCAC extended use agreements. The new reservation of tax credits will result in moderately deeper rent/income targeting than the original award of tax credits for the combined sites by increasing the number of units restricted at or below 30% AMI from 21 units to 25 units, decreasing the number of units restricted at or below 50% AMI from 9 units to 7 units. The affordable housing restrictions will extend out to approximately year 2072.

The project is a resyndication occurring concurrently with a Transfer Event without distribution of Net Project Equity for both sites. Since there is no distribution of Net Project Equity, the project is waived from the requirements of TCAC Regulation Section 10320(b)(4)(B), and thus allowed to receive eligible basis for the entire Short Term Work amount.

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, Contra Costa Department of Conservation and Development, 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
\$783,961	\$1,739,142

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	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
<u>Church Lane</u>			
Within ½ mile of transit, service every 30 minutes in rush hours	6	6	6
Within ½ mile of public park or community center open to general public	3	3	3
Within ½ mile of public library	3	3	3
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Special Needs/SRO project within ½ mile of facility serving tenant pop.	3	0	0
Within ½ mile of medical clinic or hospital	3	3	3
Within ½ mile of a pharmacy	2	2	2
<u>Idaho Apartments</u>			
Within ½ mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within ½ mile of public park or community center open to general public	3	3	3
Within ½ mile of public library	3	3	3
Within ¼ mile of a neighborhood market of at least 5,000 sf	4	4	4
Within ½ mile of medical clinic or hospital	3	3	3
Within ½ mile of a pharmacy	2	2	2
Service Amenities	10	10	10
SPECIAL NEEDS AND SRO HOUSING TYPES			
Case Manager, minimum ratio of 1 FTE to 100 bedrooms	5	5	5
Service Coordinator/Other Services Specialist, min. ratio 1 FTE to 360 bdrms	5	5	5
Sustainable Building Methods	5	5	5
REHABILITATION			
Develop project in accordance w/ requirements of: GreenPoint Rated Existing I	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.