

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2017 Second Round

September 20, 2017

Sunrise Senior Apartments, located at 560 Line Street in Hollister, requested and is being recommended for a reservation of \$1,277,320 in annual federal tax credits to finance the new construction of 48 units of housing serving seniors with rents affordable to households earning 30%-50% of area median income (AMI). The project will be developed by CHISPA, Inc. and will be located in Senate District 12 and Assembly District 30.

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

Project Number CA-17-107

Project Name Sunrise Senior Apartments
Site Address: 560 Line Street
Hollister, CA 95023 County: San Benito
Census Tract: 7.010

| Tax Credit Amounts | Federal/Annual | State/Total |
|---------------------------|-----------------------|--------------------|
| Requested: | \$1,277,320 | \$0 |
| Recommended: | \$1,277,320 | \$0 |

Applicant Information

Applicant: CHISPA, Inc.
Contact: Dana Cleary
Address: 295 Main Street, Suite 100
Salinas, CA 93901
Phone: (831) 757-6251 Fax: (831) 757-6268
Email: dcleary@chispahousing.org

General Partner(s) / Principal Owner(s): CHISPA, Inc.
San Benito CDSC
General Partner Type: Nonprofit
Parent Company(ies): CHISPA, Inc.
San Benito CDSC
Developer: CHISPA, Inc.
Investor/Consultant: Community Economics
Management Agent(s): CHISPA Housing Management, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 49
 No. & % of Tax Credit Units: 48 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: USDA RHS 538 /
 HUD Section 8 Project-based Vouchers (48 units - 100%)

Affordability Breakdown by Units and % (Lowest Income Points):

30% AMI: 10 20 %
 40% AMI: 10 20 %
 50% AMI: 28 40 %

Information

Set-Aside: Rural
 Housing Type: Seniors
 Geographic Area: N/A
 TCAC Project Analyst: Carmen Doonan

Unit Mix

49 1-Bedroom Units
 49 Total Units

| <u>Unit Type & Number</u> | <u>2017 Rents Targeted % of Area Median Income</u> | <u>2017 Rents Actual % of Area Median Income</u> | <u>Proposed Rent (including utilities)</u> |
|-------------------------------|--|--|--|
| 10 1 Bedroom | 30% | 30% | \$470 |
| 10 1 Bedroom | 40% | 40% | \$627 |
| 28 1 Bedroom | 50% | 50% | \$784 |
| 1 1 Bedroom | Manager's Unit | Manager's Unit | \$0 |

Projected Lifetime Rent Benefit: \$27,470,520

Project Cost Summary at Application

| | |
|----------------------------------|---------------------|
| Land and Acquisition | \$795,704 |
| Construction Costs | \$11,707,812 |
| Rehabilitation Costs | \$0 |
| Construction Contingency | \$829,746 |
| Relocation | \$0 |
| Architectural/Engineering | \$350,747 |
| Const. Interest, Perm. Financing | \$1,268,364 |
| Legal Fees, Appraisals | \$102,500 |
| Reserves | \$467,669 |
| Other Costs | \$1,741,905 |
| Developer Fee | \$1,400,000 |
| Commercial Costs | \$0 |
| Total | \$18,664,447 |

Project Financing

| | |
|-------------------------------------|--------------|
| Estimated Total Project Cost: | \$18,664,447 |
| Estimated Residential Project Cost: | \$18,664,447 |
| Estimated Commercial Project Cost: | \$0 |

Residential

| | |
|------------------------------------|-----------|
| Construction Cost Per Square Foot: | \$329 |
| Per Unit Cost: | \$380,907 |
| True Cash Per Unit Cost*: | #N/A |

Construction Financing

| Source | Amount |
|-----------------------------------|--------------|
| Rabobank | \$14,106,371 |
| San Benito CSDC** | \$425,000 |
| City of Hollister | \$1,000,000 |
| City Inclusionary Developer Grant | \$500,000 |
| Tax Credit Equity | \$1,200,000 |

Permanent Financing

| Source | Amount |
|-----------------------------------|---------------------|
| Bonneville RHS 538 Tranche A | \$1,094,000 |
| Bonneville RHS 538 Tranche B | \$4,089,200 |
| City of Hollister | \$1,000,000 |
| City Inclusionary Developer Grant | \$500,000 |
| Deferred Developer Fee | \$31,673 |
| General Partner Equity | \$1,000 |
| Solar Tax Credit Equity | \$180,000 |
| Tax Credit Equity | \$11,768,573 |
| TOTAL | \$18,664,447 |

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

**San Benito Community Services Development Corporation (CSDC) - GP Loan

Determination of Credit Amount(s)

| | |
|--|---------------------|
| Requested Eligible Basis: | \$11,140,064 |
| 130% High Cost Adjustment: | Yes |
| Applicable Fraction: | 100.00% |
| Qualified Basis Credit Reduction (2%) | \$289,642 |
| Qualified Basis: | \$14,192,442 |
| Applicable Rate: | 9.00% |
| Total Maximum Annual Federal Credit: | \$1,277,320 |
| Approved Developer Fee (in Project Cost & Eligible Basis): | \$1,400,000 |
| Investor/Consultant: | Community Economics |
| Federal Tax Credit Factor: | \$0.92135 |

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, except that the adjustment factor related to costs described in Section 10327(c)(2)(A) shall be recalculated at placed in service where applicable.

Eligible Basis and Basis Limit

| | |
|---------------------------------------|--------------|
| Requested Unadjusted Eligible Basis: | \$11,140,064 |
| Actual Eligible Basis: | \$17,095,498 |
| Unadjusted Threshold Basis Limit: | \$10,268,979 |
| Total Adjusted Threshold Basis Limit: | \$14,950,064 |

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

One or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- New construction: project buildings are at least 15% more energy efficient than 2016 Energy Efficiency Standards (California Code of Regulations, Title 24, Part 6) as indicated in TCAC Regulations.

Local Development Impact Fees

95% of Upper Floor Units are Elevator-Serviced

Tie-Breaker Information

| | |
|--------|----------------|
| First: | Seniors |
| Final: | 32.750% |

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 meet/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 9.0% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.23%. 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 does not include a utility allowance. The owner will pay for all utilities.

The sum of the project's local development impact fees of \$1,189,632 in the Sources and Uses budget is less than the estimation of \$1,194,472 provided in the Attachment 18(A). The difference of \$4,848 is deemed to be covered by the contingency line item, since initial application errors of \$50,000 or less shall be covered by the contingency line item pursuant to TCAC Regulation Section 10327(a).

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 Hollister, 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 |
| \$1,277,320 | \$0 |

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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 allocation 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: N/A.

| Points System | Max. Possible Points | Requested Points | Points Awarded |
|---|-----------------------------|-------------------------|-----------------------|
| Cost Efficiency / Credit Reduction / Public Funds | 20 | 20 | 20 |
| Credit Reduction | 20 | 2 | 2 |
| Public Funds | 20 | 18 | 18 |
| 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 ½ mile of transit (van or dial-a-ride service for rural set-aside) | 4 | 4 | 4 |
| Within 1 mile of public park or community center open to general public | 3 | 3 | 3 |
| Within 1 mile of public library | 3 | 3 | 3 |
| Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf | 5 | 5 | 5 |
| Senior project within 1 mile of daily operated senior center/facility | 3 | 3 | 0 |
| Within 1 mile of medical clinic or hospital | 3 | 3 | 3 |
| Within 1 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 | | | |
| Energy efficiency beyond CA Building Code Title 24 requirements: 12.0% | 5 | 5 | 5 |
| NEW CONSTRUCTION/ADAPTIVE REUSE/REHABILITATION | | | |
| 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 |
| Miscellaneous Federal and State Policies | 2 | 2 | 2 |
| State Credit Substitution | 2 | 2 | 2 |
| Total Points | 138 | 138 | 138 |

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.