

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

November 15, 2017

Warm Springs Inclusionary, located at Old Warm Springs Blvd. and Tavis Place in Fremont, requested and is being recommended for a reservation of \$1,960,274 in annual federal tax credits to finance the new construction of 101 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Fairfield Investment Company LLC and will be located in Senate District 10 and Assembly District 25.

Project Number CA-17-800

Project Name Warm Springs Inclusionary
Site Address: Old Warm Springs Blvd. and Tavis Place
Fremont, CA 94538 County: Alameda
Census Tract: 4415.03

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,960,274	\$0
Recommended:	\$1,960,274	\$0

Applicant Information

Applicant: Fairfield Warm Springs Affordable LP
Contact: Paul Kudirka
Address: 5510 Morehouse Drive, Suite 200
San Diego, CA 92121
Phone: 858.824.6406
Email: pkudirka@ffres.com

General Partner(s) or Principal Owner(s): FFI Warm Springs Affordable LLC
Wakeland Warm Spring Affordable LLC

General Partner Type: Joint Venture

Parent Company(ies): Fairfield Investment Company LLC
Wakeland Housing and Development Corporation

Developer: Fairfiled Investment Company LLC

Investor/Consultant: Raymond James

Management Agent: FF Properties LP

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 102
 No. & % of Tax Credit Units: 101 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt
 HCD MHP Funding: No
 Number of Units @ or below 50% of area median income: 34
 Number of Units @ or below 60% of area median income: 67

Bond Information

Issuer: CSCDA
 Expected Date of Issuance: December 15, 2017
 Credit Enhancement: N/A

Information

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

Unit Mix

51 1-Bedroom Units
 47 2-Bedroom Units
 4 3-Bedroom Units

 102 Total Units

Unit Type & Number	2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
17 1 Bedroom	50%	50%	\$978
16 2 Bedrooms	50%	50%	\$1,173
1 3 Bedrooms	50%	50%	\$1,356
34 1 Bedroom	60%	60%	\$1,174
30 2 Bedrooms	60%	60%	\$1,408
3 3 Bedrooms	60%	60%	\$1,627
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Projected Lifetime Rent Benefit: \$89,193,060

Project Cost Summary at Application

Land and Acquisition	\$75,001
Construction Costs	\$28,585,470
Rehabilitation Costs	\$0
Construction Contingency	\$1,501,860
Relocation	\$0
Architectural/Engineering	\$2,310,000
Const. Interest, Perm. Financing	\$3,016,985
Legal Fees, Appraisals	\$108,000
Reserves	\$316,634
Other Costs	\$6,635,452
Developer Fee	\$6,100,000
Commercial Costs	\$0
Total	\$48,649,402

Project Financing

Estimated Total Project Cost:	\$48,649,402
Estimated Residential Project Cost:	\$48,649,402
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$315
Per Unit Cost:	\$476,955
True Cash Per Unit Cost*:	\$452,445

Construction Financing

Source	Amount
Citibank, N.A.	\$28,500,000
Master Developer Loan**	\$11,500,000
General Partner Capital	\$3,074,753
Deferred Cost	\$283,044
Deferred Developer Fee	\$2,500,000
Tax Credit Equity	\$2,792,104

Permanent Financing

Source	Amount
Citibank, N.A.	\$11,947,000
Master Developer Loan**	\$11,500,000
Income from Operations	\$231,714
General Partner Capital	\$3,350,000
Deferred Developer Fee	\$2,500,000
Tax Credit Equity	\$19,120,688
TOTAL	\$48,649,402

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

** Master Developer Loan - Tax Exempt Subordinate Bonds

Determination of Credit Amount(s)

Requested Eligible Basis:	\$46,833,976
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$60,884,169
Applicable Rate:	3.25%
Total Maximum Annual Federal Credit:	\$1,960,274
Approved Developer Fee (in Project Cost & Eligible Basis):	\$6,100,000
Investor/Consultant:	Raymond James
Federal Tax Credit Factor:	\$0.97541

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:	\$46,833,976
Actual Eligible Basis:	\$46,833,976
Unadjusted Threshold Basis Limit:	\$29,981,102
Total Adjusted Threshold Basis Limit:	\$49,641,555

Adjustments to Basis Limit

- Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels
- Local Development Impact Fees
- 95% of Upper Floor Units are Elevator-Serviced
- 55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 33%

Cost Analysis and Line Item Review

The applicant's estimate for annual operating expenses per unit is below the \$5,700 published per unit operating expense minimum required for this type of project. As allowed by TCAC Regulation Section 10327(g)(1), TCAC approves the annual per unit operating expense total of \$5,206 in agreement with the permanent lender and equity investor.

Special Issues/Other Significant Information: None.

Local Reviewing Agency

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

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
\$1,960,274	\$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.