

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
January 29, 2014

Project Number CA-14-809

Project Name Triangle Court/Friendship Manor

Site Addresses:	Triangle Court	Friendship Manor
	980 Triangle Court	564 Stege Avenue
	Richmond, CA 94801	Richmond, CA 94804
Census Tract:	3760.00	3820.00
County:	Contra Costa	

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$912,380	\$0
Recommended:	\$912,380	\$0

Applicant Information

Applicant:	Richmond Housing Authority	
Contact:	LaTanna Jones	
Address:	330 24th Street	
	Richmond, CA 94804	
Phone:	(510) 235-2062	Fax: (510) 235-5914
Email:	ljones@rhaca.org	

General Partner(s) or Principal Owner(s):	RHA RAD LLC
General Partner Type:	Nonprofit
Parent Company(ies):	Richmond Housing Authority
Developer:	Richmond Housing Authority
Investor/Consultant:	CSG Advisors
Management Agent:	John Stewart Company

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	25
Total # of Units:	156
No. & % of Tax Credit Units:	154 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / RAD Section 8 Project-based Vouchers (154 units - 100%)
HCD MHP Funding:	No
55-Year Use/Affordability:	Yes
Number of Units @ or below 50% of area median income:	154

Bond Information

Issuer: Richmond Housing Authority
 Expected Date of Issuance: April 15, 2014
 Credit Enhancement: N/A

Information

Housing Type: Non-Targeted
 Geographic Area: North & East Bay Region
 TCAC Project Analyst: Connie Harina

Unit Mix

2 SRO/Studio Units
 80 1-Bedroom Units
 59 2-Bedroom Units
 15 3-Bedroom Units

 156 Total Units

<u>Unit Type & Number</u>	<u>2013 Rents Targeted % of Area Median Income</u>	<u>2013 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
Triangle Court			
25 1 Bedroom	40%	30%	\$502
57 2 Bedrooms	40%	30%	\$602
15 3 Bedrooms	40%	30%	\$696
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0
Friendship Manor			
1 SRO/Studio	40%	35%	\$554
54 1 Bedroom	40%	39%	\$656
2 2 Bedrooms	40%	39%	\$778
1 SRO/Studio	Manager's Unit	Manager's Unit	\$0

Project Financing

Estimated Total Project Cost:	\$30,090,486
Estimated Residential Project Cost:	\$30,090,486

Residential

Construction Cost Per Square Foot:	\$52
Per Unit Cost:	\$192,888

Construction Financing

Source	Amount
JPMorgan Chase Bank	\$13,536,146
Richmond HA Seller Financing	\$7,911,499
Accrued Soft Interest (Seller Financing)	\$168,897
Value of Leased Land	\$3,210,000
Richmond HA Loan	\$665,676
Accrued Interest Richmond HA Loans	\$444
CDLAC Performance Deposit	\$67,681
Income During Construction	\$296,000
Tax Credit Equity	\$2,026,564

Permanent Financing

Source	Amount
JPMorgan Chase Bank	\$945,496
Richmond HA Seller Financing	\$7,911,499
Accrued Soft Interest (Seller Financing)	\$207,873
Richmond HA Loan	\$2,863,046
Richmond HA Loan (from Sale Proceeds)	\$5,618,501
Accrued Interest Richmond HA Loans	\$1,775
Value of Leased Land	\$3,210,000
CDLAC Performance Deposit	\$67,681
Income During Construction	\$296,000
Tax Credit Equity	\$8,968,615
TOTAL	\$30,090,486

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$10,639,151
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$14,992,295
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$13,830,896
Qualified Basis (Acquisition):	\$14,992,295
Applicable Rate:	3.20%
Maximum Annual Federal Credit, Rehabilitation:	\$432,627
Maximum Annual Federal Credit, Acquisition:	\$479,753
Total Maximum Annual Federal Credit:	\$912,380
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	CSG Advisors
Federal Tax Credit Factor:	\$0.98299

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:	\$25,631,446
Actual Eligible Basis:	\$25,631,446
Unadjusted Threshold Basis Limit:	\$41,218,572
Total Adjusted Threshold Basis Limit:	\$82,437,144

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: 100%

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 3.20% 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

Local Reviewing Agency:

The Local Reviewing Agency, the City of Richmond, 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
\$912,380	\$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: The applicant/owner is required to provide the tenants with the following service amenities free of charge for a minimum of ten (10) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC:

- Contract with a full time equivalent bona fide service coordinator / social worker for a minimum number of hours per year on-site