

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**Tax-Exempt Bond Project**

**October 21, 2015**

Green Gardens, located at 2300 S. Union Ave. in Bakersfield, CA, requested and is being recommended for a reservation of \$268,655 in annual federal tax credits to finance the acquisition and rehabilitation of 102 units of housing serving tenants with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Golden Empire Affordable Housing, Inc. II and will be located in Senate District 14 and Assembly District 32.

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-15-917

**Project Name** Green Gardens  
Site Address: 2300 S. Union Ave.  
Bakersfield, CA 93307 County: Kern  
Census Tract: 31.030

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$268,655	\$0
Recommended:	\$268,655	\$0

**Applicant Information**

Applicant: Golden Empire Affordable Housing, Inc. II  
Contact: Randy Coats  
Address: 601 24th Street, Suite B  
Bakersfield, CA 93301  
Phone: (661) 633-1533 Fax: (661) 633-1617  
Email: randy@geahi.org

General Partner(s) or Principal Owner(s): Golden Empire Affordable Housing, Inc. II  
General Partner Type: Nonprofit  
Parent Company(ies): Golden Empire Affordable Housing, Inc. II  
Developer: Golden Empire Affordable Housing, Inc. II  
Investor/Consultant: US Bank Community Development Corp.  
Management Agent: Housing Authority of the County of Kern

**Project Information**

Construction Type: Acquisition and Rehabilitation  
 Total # Residential Buildings: 1  
 Total # of Units: 103  
 No. & % of Tax Credit Units: 102 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-Based Vouchers (90 units - 88%)  
 HOME  
 HCD MHP Funding: Yes  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 35% of area median income: 75  
 Number of Units @ or below 50% of area median income: 15  
 Number of Units @ or below 60% of area median income: 12

**Bond Information**

Issuer: Housing Authority of the County of Kern  
 Expected Date of Issuance: December 1, 2015  
 Credit Enhancement: No

**Information**

Housing Type: Single Room Occupancy  
 Geographic Area: Central Valley Region  
 TCAC Project Analyst: Mayra Lozano

**Unit Mix**

102 SRO/Studio Units  
1 1-Bedroom Units  
 103 Total Units

<u>Unit Type &amp; Number</u>	<u>2015 Rents Targeted % of Area Median Income</u>	<u>2015 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
75 SRO/Studio	30%	29%	\$287
15 SRO/Studio	40%	38%	\$383
12 SRO/Studio	60%	47%	\$465
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$3,100,000
Construction Costs	\$0
Rehabilitation Costs	\$3,526,120
Construction Contingency	\$305,800
Relocation	\$50,060
Architectural/Engineering	\$105,000
Construction Interest, Perm Financing	\$334,810
Legal Fees, Appraisals	\$155,000
Reserves	\$701,000
Other Costs	\$203,380
Developer Fee	\$1,061,876
Commercial Costs	\$0
<b>Total</b>	<b>\$9,543,046</b>

**Project Financing**

Estimated Total Project Cost:	\$9,543,046
Estimated Residential Project Cost:	\$9,543,046

**Residential**

Construction Cost Per Square Foot:	\$105
Per Unit Cost:	\$92,651

**Construction Financing**

Source	Amount
U.S. Bank	\$6,000,000
City of Bakersfield - HOME	\$300,000
Seller Carryback Loan	\$1,983,000
Deferred Costs	\$1,002,046
Tax Credit Equity	\$258,000

**Permanent Financing**

Source	Amount
HCD - MHP	\$3,430,000
City of Bakersfield - HOME	\$300,000
AHP	\$925,000
Seller Carryback Loan	\$1,983,000
Deferred Developer Fee	\$326,221
Tax Credit Equity	\$2,578,825
<b>TOTAL</b>	<b>\$9,543,046</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$5,070,546
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$3,070,500
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$5,070,546
Qualified Basis (Acquisition):	\$3,070,500
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$167,328
Maximum Annual Federal Credit, Acquisition:	\$101,327
Total Maximum Annual Federal Credit:	\$268,655
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,061,876
Investor/Consultant:	US Bank Community Development Corp.
Federal Tax Credit Factor:	\$0.95990

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:	\$8,141,046
Actual Eligible Basis:	\$8,141,046
Unadjusted Threshold Basis Limit:	\$18,512,042
Total Adjusted Threshold Basis Limit:	\$48,131,309

**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: 14%
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 146%

**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 3.30% 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:** This project will be restricted to qualified homeless households with income levels at or below 30%, 40%, and 60% AMI. Ninety (90) of the units will receive HUD Section 8 Project-Based Vouchers.

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

**Local Reviewing Agency:**

The Local Reviewing Agency, City of Bakersfield, 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:

<b>Federal Tax Credits/Annual</b>	<b>State Tax Credits/Total</b>
<b>\$268,655</b>	<b>\$0</b>

**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.