

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 16, 2015

Sycamore Walk Apartments, located at 380 Pacheco Road in Bakersfield, requested and is being recommended for a reservation of \$228,572 in annual federal tax credits to finance the acquisition and rehabilitation of 110 units of housing serving large families with rents affordable to households earning 50% of area median income (AMI). The project will be developed by Highridge Costa Housing Partners LLC and is located in Senate District 16 and Assembly District 32.

Sycamore Walk Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Sycamore Walk Apartments (CA-98-259). See **Special Issues/Other Significant Information** below for additional re-syndication information.

Project Number CA-15-922

Project Name Sycamore Walk Apartments
 Site Address: 380 Pacheco Road
 Bakersfield, CA 93307 County: Kern
 Census Tract: 31.210

| Tax Credit Amounts | Federal/Annual | State/Total |
|---------------------------|-----------------------|--------------------|
| Requested: | \$228,572 | \$0 |
| Recommended: | \$228,572 | \$0 |

Applicant Information

Applicant: Sycamore Bakersfield AR, L.P.
 Contact: Thomas Erickson
 Address: 330 W. Victoria Street
 Gardena, CA 90248
 Phone: 424-258-2918 Fax: 424-258-2929
 Email: thomas.erickson@housingpartners.com

General Partner(s) or Principal Owner(s): TELACU Homes, Inc.
 HCHP Affordable Multi-Family, LLC
 General Partner Type: Joint Venture
 Parent Company(ies): TELACU Homes, Inc.
 Highridge Costa Housing Partners, LLC
 Developer: Highridge Costa Housing Partners, LLC
 Investor/Consultant: Victoria Capital, LLC
 Management Agent: WinnResidential California L.P.

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 14
 Total # of Units: 112
 No. & % of Tax Credit Units: 110 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 110

Bond Information

Issuer: Golden State Finance Authority
 Expected Date of Issuance: December 16, 2015
 Credit Enhancement: N/A

Information

Housing Type: Large Family
 Geographic Area: Central Valley Region
 TCAC Project Analyst: Jack Waegell

Unit Mix

60 2-Bedroom Units
 40 3-Bedroom Units
 12 4-Bedroom Units

 112 Total Units

| <u>Unit Type & 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> |
|-------------------------------|--|--|--|
| 25 2 Bedrooms | 40% | 40% | \$513 |
| 35 2 Bedrooms | 50% | 50% | \$641 |
| 14 3 Bedrooms | 40% | 40% | \$592 |
| 25 3 Bedrooms | 50% | 50% | \$740 |
| 5 4 Bedrooms | 40% | 40% | \$661 |
| 6 4 Bedrooms | 50% | 50% | \$826 |
| 1 3 Bedrooms | Manager's Unit | Manager's Unit | \$685 |
| 1 4 Bedrooms | Manager's Unit | Manager's Unit | \$765 |

Project Cost Summary at Application

| | |
|---------------------------------------|--------------------|
| Land and Acquisition | \$4,700,000 |
| Construction Costs | \$0 |
| Rehabilitation Costs | \$1,276,800 |
| Construction Contingency | \$59,360 |
| Relocation | \$0 |
| Architectural/Engineering | \$92,582 |
| Construction Interest, Perm Financing | \$469,399 |
| Legal Fees, Appraisals | \$136,167 |
| Reserves | \$166,651 |
| Other Costs | \$92,922 |
| Developer Fee | \$855,950 |
| Commercial Costs | \$0 |
| Total | \$7,849,831 |

Project Financing

| | |
|-------------------------------------|-------------|
| Estimated Total Project Cost: | \$7,849,831 |
| Estimated Residential Project Cost: | \$7,849,831 |

Residential

| | |
|------------------------------------|----------|
| Construction Cost Per Square Foot: | \$11 |
| Per Unit Cost: | \$70,088 |

Construction Financing

| Source | Amount |
|----------------------------------|-------------|
| America First TE Investors, L.P. | \$5,447,000 |
| Golden State Finance Authority | \$150,000 |
| Seller Note | \$947,724 |
| Income from Operations | \$136,024 |
| Deferred Costs | \$1,011,202 |
| Tax Credit Equity | \$157,881 |

Permanent Financing

| Source | Amount |
|----------------------------------|--------------------|
| America First TE Investors, L.P. | \$3,631,498 |
| Golden State Finance Authority | \$150,000 |
| Seller Note | \$947,723 |
| Income from Operations | \$136,024 |
| Deferred Developer Fee | \$813,153 |
| Tax Credit Equity | \$2,171,433 |
| TOTAL | \$7,849,831 |

Determination of Credit Amount(s)

| | |
|--|-----------------------|
| Requested Eligible Basis (Rehabilitation): | \$1,789,782 |
| 130% High Cost Adjustment: | Yes |
| Requested Eligible Basis (Acquisition): | \$4,772,500 |
| Applicable Fraction: | 100.00% |
| Qualified Basis (Rehabilitation): | \$2,326,717 |
| Qualified Basis (Acquisition): | \$4,772,500 |
| Applicable Rate: | 3.30% |
| Maximum Annual Federal Credit, Rehabilitation: | \$71,079 |
| Maximum Annual Federal Credit, Acquisition: | \$157,493 |
| Total Maximum Annual Federal Credit: | \$228,572 |
| Approved Developer Fee (in Project Cost & Eligible Basis): | \$855,950 |
| Investor/Consultant: | Victoria Capital, LLC |
| Federal Tax Credit Factor: | \$0.95000 |

Per Regulation Section 10322(h)(9)(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: | \$6,562,282 |
| Actual Eligible Basis: | \$6,562,282 |
| Unadjusted Threshold Basis Limit: | \$32,026,680 |
| Total Adjusted Threshold Basis Limit: | \$64,053,360 |

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 3.30% 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

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 is from January 1 of the owner's elected first year of credit through December 31 of the 15th year. The existing regulatory agreement expires December 31, 2054. The existing regulatory agreement income targeting is an average of 46% AMI.

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 |
| \$228,572 | \$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.