

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**  
**Project Staff Report**  
**Tax-Exempt Bond Project**  
**May 18, 2016**

Riviera Family Apartments, located at 1515 & 1738 Riviera Avenue in Walnut City, requested and is being recommended for a reservation of \$1,289,317 in annual federal tax credits to finance the new construction of 57 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Resources for Community Development and will be located in Senate District 7 and Assembly District 16.

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 AHSC program of HCD.

**Project Number** CA-16-854

**Project Name** Riviera Family Apartments  
 Site Address: 1515 & 1738 Riviera Avenue  
 Walnut Creek, CA 94596 County: Contra Costa  
 Census Tract: 3390.020

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,289,317	\$0
Recommended:	\$1,289,317	\$0

**Applicant Information**

Applicant: Riviera Family Apartments, L.P.  
 Contact: Alicia Klein  
 Address: 2220 Oxford Street  
 Berkeley, CA 94704  
 Phone: (510) 841-4410 Fax: (510) 548-3502  
 Email: aklein@rcdhousing.org

General Partner(s) or Principal Owner(s): RCD GP, LLC  
 General Partner Type: Nonprofit  
 Parent Company(ies): Resources for Community Development  
 Developer: Resources for Community Development  
 Investor/Consultant: California Housing Partnership Corporation  
 Management Agent: The John Stewart Company

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 2  
 Total # of Units: 58  
 No. & % of Tax Credit Units: 57 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HOME /  
 HUD Section 8 Project-based Vouchers (18 units - 31%)  
 HCD MHP Funding: No  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 50% of area median income: 29  
 Number of Units @ or below 60% of area median income: 28

**Bond Information**

Issuer: Contra Costa County  
 Expected Date of Issuance: August 1, 2016  
 Credit Enhancement: No

**Information**

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

**Unit Mix**

8 SRO/Studio Units  
 24 1-Bedroom Units  
 7 2-Bedroom Units  
 19 3-Bedroom Units  


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 58 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>
<b><u>1515 Riviera Avenue</u></b>			
3 SRO/Studio	50%	20%	\$325
2 SRO/Studio	50%	40%	\$651
2 SRO/Studio	50%	50%	\$813
1 1 Bedroom	50%	20%	\$348
5 1 Bedroom	50%	50%	\$871
4 1 Bedroom	60%	60%	\$1,046
1 2 Bedrooms	50%	30%	\$627
1 2 Bedrooms	50%	20%	\$418
5 2 Bedrooms	60%	50%	\$1,046
1 3 Bedrooms	50%	30%	\$724
1 3 Bedrooms	60%	50%	\$1,208
4 3 Bedrooms	60%	60%	\$1,449

**1738 Riviera Avenue**

1	SRO/Studio	50%	20%	\$325
2	1 Bedroom	50%	20%	\$348
1	1 Bedroom	50%	30%	\$523
3	1 Bedroom	50%	40%	\$697
4	1 Bedroom	50%	50%	\$871
4	1 Bedroom	60%	60%	\$1,046
1	3 Bedrooms	50%	30%	\$724
1	3 Bedrooms	50%	40%	\$966
6	3 Bedrooms	60%	50%	\$1,208
4	3 Bedrooms	60%	60%	\$1,449
1	3 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$4,424,200
Construction Costs	\$21,087,076
Rehabilitation Costs	\$0
Construction Contingency	\$2,205,152
Relocation	\$2,000
Architectural/Engineering	\$1,261,115
Construction Interest, Perm Financin	\$1,641,728
Legal Fees, Appraisals	\$146,000
Reserves	\$430,101
Other Costs	\$2,314,107
Developer Fee	\$2,500,000
Commercial Costs	\$0
<b>Total</b>	<b>\$36,011,479</b>

**Project Financing**

Estimated Total Project Cost:	\$36,011,479
Estimated Residential Project Cost:	\$36,011,479
Estimated Commercial Project Cost	\$0

**Residential**

Construction Cost Per Square Foot:	\$315
Per Unit Cost:	\$620,888
Effective Per Unit Cost:	\$617,439

**Construction Financing**

Source	Amount
Union Bank	\$19,200,000
City of Walnut Creek Loan	\$5,200,000
Contra Costa County HOPWA	\$1,000,000
Contra Costa County HOME	\$1,000,000
HCD Infill Infrastructure Grant	\$2,800,240
HCD AHSC Grant	\$2,342,160
Accrued Interest on Soft Loans	\$225,252
Enterprise/MTC/LISC Grants	\$67,500
Costs deferred until Perm	\$1,756,100
Deferred Developer Fee	\$200,000
General Partner Equity	\$1,100,000
Tax Credit Equity	\$1,120,227

**Permanent Financing**

Source	Amount
Union Bank	\$1,329,000
Union Bank S8 Tranche Loan	\$1,922,795
City of Walnut Creek Loan	\$6,000,000
Contra Costa HOPWA / HOME	\$2,000,000
HCD Infill Infrastructure Grant	\$2,800,240
HCD AHSC Grant	\$2,342,160
HCD AHSC Loan	\$2,614,450
AHP	\$570,000
Accrued Interest on Soft Loans	\$225,252
Enterprise/MTC/LISC Grants	\$67,500
Deferred Developer Fee	\$200,000
General Partner Equity	\$1,100,000
Tax Credit Equity	\$14,840,082
<b>TOTAL</b>	<b>\$36,011,479</b>

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$30,516,389
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$39,671,306
Applicable Rate:	3.25%
Total Maximum Annual Federal Credit:	\$1,289,317
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$1.15100

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:	\$30,516,389
Actual Eligible Basis:	\$30,516,389
Unadjusted Threshold Basis Limit:	\$17,318,272
Total Adjusted Threshold Basis Limit:	\$33,630,854

**Adjustments to Basis Limit**

- Required to Pay Prevailing Wages
- 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: 50%

**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 3.25% 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 new construction project consists of two scattered-sites located at 1515 and 1738 Riviera Avenue. At the 1515 Riviera Avenue site, one of the income-qualified tenants residing in a tax credit unit will be hired as a responsible party for after-hours emergencies and will be compensated with a \$1,000/year stipend, but their unit will not be discounted. Their primary responsibility will be to act as a contact person for after-hours emergencies, and serve as a conduit to the main property.

Development costs are \$620,888 per unit. The factors affecting this cost includes rapid inflation of construction costs compounded by already high regional development costs, high land value, specific site characteristics, and design and planning requirements imposed by the City.

**Local Reviewing Agency**

The Local Reviewing Agency, City of Walnut Creek, 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>\$1,289,317</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.