

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

May 18, 2016

Corona Ranch - Washington Creek - Scattered-Site, located at 990 Ely Road and 909 Martin Circle in Petaluma, requested and is being recommended for a reservation of \$887,425 in annual federal tax credits to finance the acquisition and rehabilitation of 104 units of housing serving tenants with rents affordable to households earning 35-60% of area median income (AMI). The project will be developed by Eden Housing, Inc. and is located in Senate District 3 and Assembly District 10.

Corona Ranch - Washington Creek - Scattered-Site is a re-syndication of two existing Low Income Housing Tax Credit (LIHTC) projects, Corona Ranch (CA-94-072) and Washington Creek (CA-91-015). See **Special Issues/Other Significant Information** below for additional re-syndication information.

Project Number CA-16-868

Project Name Corona Ranch - Washington Creek - Scattered-Site

Site Address: Corona Ranch Washington Creek
990 Ely Road 909 Martin Circle
Petaluma, CA 94954 Petaluma, CA 94952

Census Tract: 1506.100 1509.010

County: Sonoma

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$887,425	\$0
Recommended:	\$887,425	\$0

Applicant Information

Applicant: CRWC, L.P.
Contact: Linda Mandolini
Address: 22645 Grand Street
Hayward, CA 94541
Phone: 510-582-1460 Fax: 510-582-0122
Email: lmandolini@edenhousing.org

General Partner(s) or Principal Owner(s): CRWC LLC
General Partner Type: Nonprofit
Parent Company(ies): Eden Housing, Inc.
Developer: Eden Housing, Inc.
Investor/Consultant: California Housing Partnership Corporation
Management Agent: Eden Housing Management, Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 11
 Total # of Units: 106
 No. & % of Tax Credit Units: 104 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 35% of area median income: 36
 Number of Units @ or below 50% of area median income: 11
 Number of Units @ or below 60% of area median income: 57

Bond Information

Issuer: California Municipal Finance Agency
 Expected Date of Issuance: June 1, 2016
 Credit Enhancement: N/A

Information

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

Unit Mix

48 2-Bedroom Units
 48 3-Bedroom Units
 10 4-Bedroom Units

 106 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>
<u>Corona Ranch</u>			
12 2 Bedrooms	35%	35%	\$626
6 3 Bedrooms	35%	34%	\$699
6 4 Bedrooms	35%	35%	\$811
4 2 Bedrooms	50%	50%	\$900
5 3 Bedrooms	50%	49%	\$1,016
4 2 Bedrooms	60%	52%	\$941
12 2 Bedrooms	60%	60%	\$1,074
2 3 Bedrooms	60%	53%	\$1,107
18 3 Bedrooms	60%	59%	\$1,216
4 4 Bedrooms	60%	54%	\$1,260
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$903

<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>
<u>Washington Creek</u>			
6 2 Bedrooms	35%	35%	\$630
6 3 Bedrooms	35%	35%	\$727
1 2 Bedrooms	50%	50%	\$900
1 3 Bedrooms	50%	50%	\$1,038
1 2 Bedrooms	60%	57%	\$1,034
8 2 Bedrooms	60%	60%	\$1,080
2 3 Bedrooms	60%	57%	\$1,179
6 3 Bedrooms	60%	60%	\$1,246
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$731

Project Cost Summary at Application

Land and Acquisition	\$11,462,077
Construction Costs	\$0
Rehabilitation Costs	\$7,295,142
Construction Contingency	\$1,068,254
Relocation	\$210,000
Architectural/Engineering	\$746,000
Const. Interest, Perm Financing	\$1,252,563
Legal Fees, Appraisals	\$97,500
Reserves	\$591,445
Other Costs	\$529,777
Developer Fee	\$3,101,237
Commercial Costs	\$0
Total	\$26,353,995

Project Financing

Estimated Total Project Cost:	\$26,353,995
Estimated Residential Project Cost:	\$26,353,995
Estimated Commercial Project Cost	\$0

Residential

Construction Cost Per Square Foot:	\$62
Per Unit Cost:	\$248,623
Effective Per Unit Cost:	\$242,376

Construction Financing

Source	Amount
Citibank	\$16,112,000
HCD RHCP - Assumed/Recast*	\$4,020,838
HCD RHCP - Assumed/Recast**	\$2,325,980
City of Petaluma Land Loan**	\$565,769
Seller Take Back Loan	\$193,602
Accrued/Deferred Interest Soft Loans	\$193,144
Costs Deferred until Perm	\$2,012,308
General Partner Equity - Existing Reserves	\$539,246
Tax Credit Equity	\$391,108

Permanent Financing

Source	Amount
Citibank	\$2,452,000
Citibank - Subordinate Loan	\$159,000
HCD RHCP - Assumed/Recast*	\$4,020,838
HCD RHCP - Assumed/Recast**	\$2,325,980
City of Petaluma Land Loan**	\$565,769
Seller Carryback Loan	\$193,602
Accrued/Deferred Interest Soft Loans	\$193,144
Eden Perm Loan	\$3,300,000
Income from Operations	\$399,171
General Partner Equity	\$1,789,246
Deferred Developer Fee	\$468,445
Solar Tax Credit Equity	\$67,500
Tax Credit Equity	\$10,419,300
TOTAL	\$26,353,995

* Corona Ranch

** Washington Creek

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$11,876,611
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$11,865,787
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$15,439,594
Qualified Basis (Acquisition):	\$11,865,787
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	\$501,787
Maximum Annual Federal Credit, Acquisition:	\$385,638
Total Maximum Annual Federal Credit:	\$887,425
Approved Developer Fee (in Project Cost & Eligible Basis):	\$3,101,237
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$1.17410

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:	\$23,742,398
Actual Eligible Basis:	\$23,742,398
Unadjusted Threshold Basis Limit:	\$37,604,800
Total Adjusted Threshold Basis Limit:	\$66,936,544

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: 10%
55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 68%

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 project involves a substantial rehabilitation of 2 scattered-sites located in the city of Petaluma.

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 for Corona Ranch expires 12/31/2048. The existing regulatory agreement income targeting is 30 units at or below 50% AMI. The existing regulatory agreement for Washington Creek expires 12/31/2047. The existing regulatory agreement income targeting is 31 units at or below 60% AMI, such that the average income of all Low-Income Tenants of the project does not exceed 51% of the Area Median Gross Income.

The project is a re-syndication occurring concurrently with a Transfer Event without distribution of Net Project Equity, and thus received a waiver from setting aside a Short Term Work Capitalized Replacement Reserve.

The applicant has requested and been granted a waiver to reduce the 10% mobility feature requirement under TCAC Regulation Section 10325(f)(7)(K) down to 5% with the exception of requirements that necessitate the movement of load-bearing walls or electrical panels. An additional 5% of the units shall meet 11(B) with the exception of requirements that necessitate the movement of walls or other structural modifications. Furthermore, the project shall provide a quantity of accessible parking spaces that is equal to 5% of the units, but these spaces need not be reserved for a specific unit. These parking spaces shall be on an accessible path of travel to residents of the accessible units. Finally, the applicant has requested and been granted a waiver of TCAC Regulation Section 10325(f)(7)(C) for the roofing at the Corona Ranch site to carry a 3 year subcontractor guarantee and a 20 year manufacturer's warranty. While the subcontractor guarantee has expired, the manufacturer's warranty has roughly 23 years remaining, and the capital needs assessment documents that the roof is in good condition.

Local Reviewing Agency

The Local Reviewing Agency, the City of Petaluma, 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
\$887,425	\$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.