

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**Tax-Exempt Bond Project**

**June 8, 2016**

**REVISED**

Crossroads, located at 1990-2030 Burbank Avenue in Santa Rosa, requested and is being recommended for a reservation of \$1,083,124 in annual federal tax credits to finance the new construction of 78 units of housing serving large families with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Burbank Housing Development Corporation and will be located in Senate District 2 and Assembly District 10.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

**Project Number** CA-16-877

**Project Name** Crossroads  
**Site Address:** 1990 - 2030 Burbank Avenue  
Santa Rosa, CA 95407 County: Sonoma  
**Census Tract:** 1531.030

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$1,083,124	\$0
Recommended:	\$1,083,124	\$0

**Applicant Information**

**Applicant:** Burbank Housing Development Corporation  
**Contact:** Pascal Sisich  
**Address:** 790 Sonoma Avenue  
Santa Rosa, CA 95404  
**Phone:** (707) 303-1003  
**Email:** psisich@burbankhousing.org

**General Partner(s) or Principal Owner(s):** Crossroads Apartments LLC  
**General Partner Type:** Nonprofit  
**Parent Company(ies):** Burbank Housing Development Corporation  
**Developer:** Burbank Housing Development Corporation  
**Investor/Consultant:** California Housing Partnership Corporation  
**Management Agent:** Burbank Housing Management Corporation

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 20  
 Total # of Units: 79  
 No. & % of Tax Credit Units: 78 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HUD Project-based Section 8 Vouchers (53 units - 68%) / HOME / CDBG  
 55-Year Use/Affordability: Yes  
 Number of Units @ or below 35% of area median income: 53  
 Number of Units @ or below 50% of area median income: 19  
 Number of Units @ or below 60% of area median income: 6

**Bond Information**

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

**Information**

Housing Type: Large Family  
 Geographic Area: North and East Bay Region  
 TCAC Project Analyst: Mayra Lozano

**Unit Mix**

22 1-Bedroom Units  
 24 2-Bedroom Units  
 33 3-Bedroom Units  


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 79 Total Units

<b>Unit Type &amp; Number</b>	<b>2015 Rents Targeted % of Area Median Income</b>	<b>2015 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
12 1 Bedroom	30%	30%	\$450
15 2 Bedrooms	30%	30%	\$540
26 3 Bedrooms	30%	30%	\$623
4 2 Bedrooms	40%	40%	\$720
2 3 Bedrooms	40%	40%	\$831
8 1 Bedroom	50%	50%	\$750
3 2 Bedrooms	50%	50%	\$900
2 3 Bedrooms	50%	50%	\$1,038
2 1 Bedroom	60%	60%	\$900
2 2 Bedrooms	60%	60%	\$1,080
2 3 Bedrooms	60%	60%	\$1,246
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$5,417,397
Construction Costs	\$21,250,386
Rehabilitation Costs	\$0
Construction Contingency	\$1,743,160
Relocation	\$0
Architectural/Engineering	\$1,083,316
Const. Interest, Perm Financing	\$1,952,063
Legal Fees, Appraisals	\$85,700
Reserves	\$299,611
Other Costs	\$2,697,841
Developer Fee	\$4,348,141
Commercial Costs	\$0
<b>Total</b>	<b>\$38,877,615</b>

**Project Financing**

Estimated Total Project Cost:	\$38,877,615
Estimated Residential Project Cost:	\$38,877,615
Estimated Commercial Project Cost	\$0

**Residential**

Construction Cost Per Square Foot:	\$248
Per Unit Cost:	\$492,122
Effective Per Unit Cost*:	\$475,007

**Construction Financing**

Source	Amount
Wells Fargo Bank	\$24,895,000
Sonoma County - HOME/CDBG	\$5,042,513
Sonoma County - HOME	\$300,000
City of Santa Rosa - RDA/HTF	\$4,250,000
Accrued/Deferred Interest	\$228,649
Costs Deferred til Perm	\$654,458
GP Equity	\$1,008,335
Deferred Developer Fee	\$1,352,098
Tax Credit Equity	\$1,146,562

**Permanent Financing**

Source	Amount
Wells Fargo Bank	\$12,849,000
Sonoma County - HOME/CDBG	\$5,042,513
Sonoma County - HOME	\$300,000
City of Santa Rosa - RDA/HTF	\$4,250,000
Accrued/Deferred Interest	\$228,649
GP Equity	\$2,016,670
GP Equity (Sales Proceeds SFR)	\$175,000
Deferred Developer Fee	\$1,352,098
Business Energy Tax Credits	\$17,700
Tax Credit Equity	\$12,645,985
<b>TOTAL</b>	<b>\$38,877,615</b>

\*Less Donated Land, Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$33,326,897
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$33,326,897
Applicable Rate:	3.25%
Maximum Annual Federal Credit:	\$1,083,124
Approved Developer Fee (in Project Cost & Eligible Basis):	\$4,348,141
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$1.16755

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:	\$33,326,897
Actual Eligible Basis:	\$33,326,897
Unadjusted Threshold Basis Limit:	\$25,681,312
Total Adjusted Threshold Basis Limit:	\$73,024,523

**Adjustments to Basis Limit**

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages

Local Development Impact Fees

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 24%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 134%

**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:** None

**Local Reviewing Agency**

The Local Reviewing Agency, County of Sonoma Community Development Commission, 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>\$1,083,124</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**

The applicant/owner is required to provide the tenants with the following service amenities free of charge for a minimum of fifteen (15) 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. The responsibilities must include, but are not limited to: (a) providing tenants with information about available services in the community, (b) assisting tenants to access services through referral and advocacy, and (c) organizing community-building and/or enrichment activities for tenants (such as holiday events, tenant council, etc.)

The applicant/owner is required to complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The project commits to becoming certified under the following program:  
GreenPoint Rated Multifamily Guidelines
- The project will be developed beyond the minimum requirements of the green building program by meeting the GreenPoint Rated Gold standard.