

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 20, 2016

Twenty One and Twenty Three Nevin, located at southwest corner of Nevin Avenue and 23rd Street in Richmond, requested and is being recommended for a reservation of \$3,752,973 in annual federal tax credits to finance the new construction of 268 units of housing serving large families with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Pacific West Communities and will be located in Senate District 9 and Assembly District 15.

Project Number CA-16-891

Project Name Twenty One and Twenty Three Nevin
Site Address: Southwest Corner of Nevin Avenue and 23rd Street
Richmond, CA 94801 County: Contra Costa
Census Tract: 3750.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$3,752,973	\$0
Recommended:	\$3,752,973	\$0

Applicant Information

Applicant: Richmond Nevin Associates, a California Limited Partnership
Contact: Caleb Roope
Address: 430 E. State Street, Suite 100
Eagle, ID 83616
Phone: 208.461.0022 Fax: 208.461.3267
Email: calebr@tpchousing.com

General Partner(s) or Principal Owner(s): TPC Holdings V, LLC
Central Valley Coalition for Affordable Housing
General Partner Type: Joint Venture
Parent Company(ies): TPC Holdings V, LLC
Central Valley Coalition for Affordable Housing
Developer: Pacific West Communities, Inc.
Investor/Consultant: Boston Capital
Management Agent: U.S. Residential Group LLC

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 2
 Total # of Units: 271
 No. & % of Tax Credit Units: 268 100.00%
 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: 27
 Number of Units @ or below 60% of area median income: 241

Bond Information

Issuer: Contra Costa County
 Expected Date of Issuance: October 4, 2016
 Credit Enhancement: N/A

Information

Housing Type: Large Family
 Geographic Area: North and East Bay Region
 TCAC Project Analyst: Lucy Vang

Unit Mix

104 SRO/Studio Units
 90 1-Bedroom Units
 37 2-Bedroom Units
 30 3-Bedroom Units
 10 4-Bedroom Units

 271 Total Units

<u>Unit Type & Number</u>	<u>2016 Rents Targeted % of Area Median Income</u>	<u>2016 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
11 SRO/Studio	50%	50%	\$853
93 SRO/Studio	60%	60%	\$1,024
9 1 Bedroom	50%	50%	\$914
81 1 Bedroom	60%	60%	\$1,097
3 2 Bedrooms	50%	50%	\$1,097
31 2 Bedrooms	60%	60%	\$1,317
3 3 Bedrooms	50%	50%	\$1,267
27 3 Bedrooms	60%	60%	\$1,521
1 4 Bedrooms	50%	50%	\$1,413
9 4 Bedrooms	60%	60%	\$1,696
3 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$2,023,200
Construction Costs	\$60,791,383
Rehabilitation Costs	\$0
Construction Contingency	\$3,100,000
Relocation	\$0
Architectural/Engineering	\$790,000
Const. Interest, Perm. Financing	\$6,162,200
Legal Fees, Appraisals	\$110,000
Reserves	\$1,484,097
Other Costs	\$8,887,175
Developer Fee	\$9,800,000
Commercial Costs	\$0
Total	\$93,148,055

Project Financing

Estimated Total Project Cost:	\$93,148,055
Estimated Residential Project Cost:	\$93,148,055
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$281
Per Unit Cost:	\$343,720
True Cash Per Unit Cost*:	\$322,982

Construction Financing

Source	Amount
Citibank - Series A	\$53,000,000
CCRC - Series B	\$16,000,000
Deferred Costs	\$1,484,097
Deferred Contractor Fees	\$5,000,000
Deferred Developer Fee	\$9,800,000
Tax Credit Equity	\$7,863,958

Permanent Financing

Source	Amount
Citibank - Series A	\$26,000,000
CCRC - Series B	\$21,000,000
Deferred Developer Fee	\$5,620,000
Tax Credit Equity	\$40,528,055
TOTAL	\$93,148,055

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$88,827,771
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$115,476,102
Applicable Rate:	3.25%
Maximum Annual Federal Credit:	\$3,752,973
Approved Developer Fee (in Project Cost & Eligible Basis):	\$9,800,000
Investor/Consultant:	Boston Capital
Federal Tax Credit Factor:	\$1.07989

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:	\$88,827,771
Actual Eligible Basis:	\$88,827,771
Unadjusted Threshold Basis Limit:	\$72,669,984
Total Adjusted Threshold Basis Limit:	\$99,693,267

Adjustments to Basis Limit

- 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: 10%

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 are below the minimum operating expenses established in the Regulations as allowed under TCAC Regulation Section 10327(g)(1). See the "Special Issues / Other Significant Information" section of this report below. 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 negotiation with investors. TCAC's financial evaluation at project completion will determine the final allocation.

Special Issues/Other Significant Information

The applicant's estimate of the project's operating expenses of \$5,327 per unit per year is 15% below the TCAC minimum operating expense requirement for this type of project of \$5,400. As allowed under TCAC Regulation Section 10327(g)(1) the operating expenses may be up to 15% below the TCAC minimum if approved by the Executive Director and confirmed by the permanent lender and the tax credit equity investor. TCAC has approved this lower operating expense figure of \$5,327 per unit.

Local Reviewing Agency

The Local Reviewing Agency, City of Richmond, 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
\$3,752,973	\$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.