

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2016 Second Round

September 21, 2016

Healdsburg Family Apartments, located at 1201 Grove Street in Healdsburg, requested and is being recommended for a reservation of \$556,303 in annual federal tax credits and \$1,854,342 in total state tax credits to finance the new construction of 24 units of housing serving large families with rents affordable to households earning 30-60% AMI of area median income (AMI). The project will be developed by Pacific West Communities, Inc. and is located in Senate District 2 and Assembly District 2.

Project Number CA-16-161

Project Name Healdsburg Family Apartments
Site Address: 1201 Grove Street
Healdsburg, CA 95448 County: Sonoma
Census Tract: 1539.020

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$556,303	\$1,854,342
Recommended:	\$556,303	\$1,854,342

Applicant Information

Applicant: Healdsburg Pacific 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) / Principal Owner(s): TPC Holdings V, LLC
Kelley Ventures, LLC
Pacific Housing, Inc.

General Partner Type: Joint Venture

Parent Company(ies): TPC Holdings V, LLC
Kelley Ventures, LLC
Pacific Housing, Inc.

Developer: Pacific West Communities, Inc.

Investor/Consultant: Boston Capital

Management Agent(s): U.S. Residential Group, LLC

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 2
 Total # of Units: 25
 No. & % of Tax Credit Units: 24 100%
 Federal Set-Aside Elected: 40%/60%
 30% AMI: 3 10 %
 50% AMI (Rural): 9 35 %
 55% AMI (Rural): 10 40 %

Information

Set-Aside: Rural
 Housing Type: Large Family
 Geographic Area: N/A
 TCAC Project Analyst: Alex Ninh

Unit Mix

8 1-Bedroom Units
 8 2-Bedroom Units
9 3-Bedroom Units
 25 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>
1 1 Bedroom	30%	30%	\$463
3 1 Bedroom	50%	50%	\$773
3 1 Bedroom	55%	55%	\$850
1 1 Bedroom	60%	60%	\$927
1 2 Bedrooms	30%	30%	\$556
3 2 Bedrooms	50%	50%	\$927
3 2 Bedrooms	55%	55%	\$1,020
1 2 Bedrooms	60%	60%	\$1,113
1 3 Bedrooms	30%	30%	\$642
3 3 Bedrooms	50%	50%	\$1,071
4 3 Bedrooms	55%	55%	\$1,178
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,782,000
Construction Costs	\$4,771,850
Rehabilitation Costs	\$0
Construction Contingency	\$250,000
Relocation	\$0
Architectural/Engineering	\$345,000
Const. Interest, Perm. Financing	\$344,500
Legal Fees, Appraisals	\$50,000
Reserves	\$56,316
Other Costs	\$984,916
Developer Fee	\$988,844
Commercial Costs	\$0
Total	\$9,573,426

Project Financing

Estimated Total Project Cost:	\$9,573,426
Estimated Residential Project Cost:	\$9,573,426
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$178
Per Unit Cost:	\$382,937
True Cash Per Unit Cost*:	\$311,857

Construction Financing

Source	Amount
Boston Capital Finance	\$5,419,981
City of Healdsburg - Seller Carryback	\$1,777,000
Deferred Costs	\$56,316
Deferred Developer Fee	\$988,844
Tax Credit Equity	\$1,331,285

Permanent Financing

Source	Amount
Boston Capital Finance	\$1,140,000
City of Healdsburg - Seller Carryback	\$1,777,000
Tax Credit Equity	\$6,656,426
TOTAL	\$9,573,426

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$6,181,139
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$6,181,139
Applicable Rate:	9.00%
Maximum Annual Federal Credit:	\$556,303
Total State Credit:	\$1,854,342
Approved Developer Fee (in Project Cost & Eligible Basis):	\$988,844
Investor/Consultant:	Boston Capital
Federal Tax Credit Factor:	\$0.97990
State Tax Credit Factor:	\$0.64994

Per Regulation Section 10322(i)(4)(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:	\$6,181,139
Actual Eligible Basis:	\$7,581,139
Unadjusted Threshold Basis Limit:	\$7,113,344
Total Adjusted Threshold Basis Limit:	\$7,737,089

Adjustments to Basis Limit

Local Development Impact Fees

Tie-Breaker Information

First:	Large Family
Final:	25.499%

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 9.0% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.21%. 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.

Legal Status

Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

Local Reviewing Agency

The Local Reviewing Agency, City of Healdsburg, 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
\$556,303	\$1,854,342

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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 performance deposit and allocation 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.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of fifteen years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(6) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

Additional Conditions: None.

Points System	Max. Possible Points	Requested Points	Points Awarded
Cost Efficiency / Credit Reduction / Public Funds	20	20	20
Cost Efficiency	2	2	2
Public Funds	18	18	18
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ½ mile of transit (van or dial-a-ride service for rural set-aside)	4	4	4
Within 1 mile of public park or community center open to general public	3	3	3
Within 1 mile of public library	3	3	3
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within 1/2 mile of Healdsburg High School boundary	3	3	3
Within 1 mile of a pharmacy	2	2	2
Service Amenities	10	10	10
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	7	7	7
Health & wellness services and programs, minimum 60 hrs per 100 bdrms	3	3	3
Sustainable Building Methods	5	5	5
Develop project in accordance w/ requirements of GreenPoint Rated Program	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of units @ 30% AMI or less	2	2	2
Readiness to Proceed	15	15	15
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	138	138	138

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.