

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 19, 2016

Valley View Senior Housing, located at 31 Theresa Avenue in American Canyon, requested and is being recommended for a reservation of \$945,732 in annual federal tax credits to finance the new construction of 69 units of housing serving seniors with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Satellite Affordable Housing Associates and is located in Senate District 3 and Assembly District 4.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers and HUD Project-based VASH Vouchers. The project financing includes state funding from the VHHP program of HCD.

Project Number CA-16-938

Project Name Valley View Senior Housing
 Site Address: 31 Theresa Avenue
 American Canyon, CA 94503 County: Napa
 Census Tract: 2010.050

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$945,732	\$0
Recommended:	\$945,732	\$0

Applicant Information

Applicant: Valley View Senior Homes, L.P.
 Contact: Carrie Lutjens
 Address: 1835 Alcatraz Avenue
 Berkeley, CA 94703
 Phone: (510) 809-2728 Fax: (510) 649-0312
 Email: clutjens@sahahomes.org

General Partner(s) or Principal Owner(s): Satellite AHA Development Inc.
 General Partner Type: Nonprofit
 Parent Company(ies): Satellite Affordable Housing Associates
 Developer: Satellite Affordable Housing Associates
 Investor/Consultant: California Housing Partnership Corporation
 Management Agent: SAHA Property Management

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 25
 Total # of Units: 70
 No. & % of Tax Credit Units: 69 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / CDBG /
 HUD Section 8 Project-based Vouchers (17 units - 25%) /
 HUD Project-based VASH Vouchers (17 units - 25%)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 7
 Number of Units @ or below 60% of area median income: 62

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: March 1, 2017
 Credit Enhancement: N/A

Information

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

Unit Mix

66 1-Bedroom Units
 4 2-Bedroom Units

 70 Total Units

Unit Type & Number	2016 Rents Targeted % of Area Median Income	2016 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
6 1 Bedroom	50%	30%	\$492
4 1 Bedroom	60%	30%	\$492
1 2 Bedrooms	50%	30%	\$590
12 1 Bedroom	60%	40%	\$656
14 1 Bedroom	60%	50%	\$820
11 1 Bedroom	60%	50%	\$820
1 2 Bedrooms	60%	50%	\$983
19 1 Bedroom	60%	60%	\$984
1 2 Bedrooms	60%	60%	\$1,180
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$2,528,662
Construction Costs	\$12,884,569
Rehabilitation Costs	\$0
Construction Contingency	\$1,434,823
Relocation	\$0
Architectural/Engineering	\$914,650
Const. Interest, Perm. Financing	\$1,446,176
Legal Fees, Appraisals	\$35,000
Reserves	\$189,978
Other Costs	\$2,629,383
Developer Fee	\$2,500,000
Commercial Costs	\$0
Total	\$24,563,241

Project Financing

Estimated Total Project Cost:	\$24,563,241
Estimated Residential Project Cost:	\$24,563,241
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$342
Per Unit Cost:	\$350,903
True Cash Per Unit Cost*:	\$346,832

Construction Financing

Source	Amount
Silicon Valley Bank	\$16,660,000
Napa County	\$750,000
City of American Canyon	\$1,550,000
Accrued Interest	\$78,808
HCD - CDBG	\$930,233
AHP	\$1,380,000
General Partner Contribution	\$1,300,000
Deferred Costs	\$615,237
Deferred Developer Fee	\$285,000
Tax Credit Equity	\$1,013,964

Permanent Financing

Source	Amount
CCRC	\$359,000
CCRC - Tranche B	\$3,409,000
Napa County	\$750,000
City of American Canyon	\$1,550,000
Accrued Interest	\$78,808
HCD - VHHP	\$2,813,562
HCD - CDBG	\$930,233
AHP	\$1,380,000
General Partner Contribution	\$1,300,000
General Partner Contribution**	\$650,000
Deferred Developer Fee	\$285,000
Tax Credit Equity	\$11,057,638
TOTAL	\$24,563,241

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

**Funds from Gasser Foundation & Home Depot

Determination of Credit Amount(s)

Requested Eligible Basis:	\$22,384,192
130% High Cost Adjustment:	Yes
Applicable Fraction:	100%
Qualified Basis:	\$29,099,450
Applicable Rate:	3.25%
Maximum Annual Federal Credit:	\$945,732
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,500,000
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$1.16921

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:	\$22,384,192
Actual Eligible Basis:	\$22,384,192
Unadjusted Threshold Basis Limit:	\$17,849,056
Total Adjusted Threshold Basis Limit:	\$26,546,519

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
 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 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, American Canyon, 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
\$945,732	\$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