CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 13, 2017

Vintage at Napa Senior Apartments, located at 2360 Redwood Road in Napa, requested and is being recommended for a reservation of $777,134 in annual federal tax credits to finance the acquisition and rehabilitation of 114 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Vintage Housing Development, Inc. and is located in Senate District 2 and Assembly District 4.

Vintage at Napa Senior Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Vintage at Napa (CA-2001-871). See **Special Issues/Other Significant Information** below for additional re-syndication information.

Project Number CA-17-818

Project Name Vintage at Napa Senior Apartments
Site Address: 2360 Redwood Road
Napa, CA 94558 County: Napa
Census Tract: 2007.07

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$777,134	$0
Recommended:	$777,134	$0

Applicant Information
Applicant: Vintage at Napa 2, LP
Contact: Michael K. Gancar
Address: 369 San Miguel Drive, Ste. 135
Newport Beach, CA 92660
Phone: (949) 721-6775 Fax: (949) 721-6776
Email: mgancar@vintagehousing.com

General Partner(s) or Principal Owner(s): Vintage at Napa 2 Partners, LLC
Hearthstone CA Properties II, LLC
General Partner Type: Joint Venture
Parent Company(ies): Vintage Housing Holdings, LLC
Hearthstone Housing Foundation
Developer: Vintage Housing Development, Inc.
Investor/Consultant: Aegon USA Realty Advisors, LLC
Management Agent: FPI Management, Inc.

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	1
Total # of Units:	115
No. & % of Tax Credit Units:	114 100.00%
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:	29
Number of Units @ or below 60% of area median income:	86

Bond Information

Issuer:	California Statewide Communities Development Authority
Expected Date of Issuance:	June 1, 2018
Credit Enhancement:	N/A

Information

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

Unit Mix

109	1-Bedroom Units
6	2-Bedroom Units
115	Total Units

Unit Type & Number			2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
27	1 Bedroom		50%	50%	$873
80	1 Bedroom		60%	60%	$1,047
2	2 Bedrooms		50%	50%	$1,047
4	2 Bedrooms		60%	60%	$1,257
2	1 Bedroom	*	Manager's Unit	Manager's Unit	$1,047

*One of the manager's unit is also a low income unit restricted at or below 60% AMI

Projected Lifetime Rent Benefit: $71,468,760

Project Cost Summary at Application

Land and Acquisition	$16,000,000
Construction Costs	$0
Rehabilitation Costs	$3,450,000
Construction Contingency	$345,000
Relocation	$32,500
Architectural/Engineering	$125,000
Const. Interest, Perm. Financing	$1,116,583
Legal Fees, Appraisals	$277,500
Reserves	$300,811
Other Costs	$631,101
Developer Fee	$2,883,795
Commercial Costs	$0
Total	**$25,162,290**

Project Financing

Estimated Total Project Cost:	$25,162,290
Estimated Residential Project Cost:	$25,162,290
Estimated Commercial Project Cost:	$0

Residential

Construction Cost Per Square Foot:	$43
Per Unit Cost:	$218,803
True Cash Per Unit Cost*:	$178,206

Construction Financing

Source	Amount
Citi Community Capital	$18,830,096
Seller Carryback Loan	$1,900,000
Net Operating Income	$1,277,991
Deferred Developer Fees	$2,783,795
Tax Credit Equity	$370,408

Permanent Financing

Source	Amount
Citi Community Capital	$11,832,959
Seller Carryback Loan	$1,900,000
Net Operating Income	$1,277,991
Deferred Developer Fees	$2,768,567
Tax Credit Equity	$7,382,773
TOTAL	**$25,162,290**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$6,009,095
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$16,100,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$7,811,824
Qualified Basis (Acquisition):	$16,100,000
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$253,884
Maximum Annual Federal Credit, Acquisition:	$523,250
Total Maximum Annual Federal Credit:	$777,134
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,883,795
Investor/Consultant:	Aegon USA Realty Advisors, LLC
Federal Tax Credit Factor:	$0.95000

Per Regulation Section 10327(c)(6), 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:	$22,109,095
Actual Eligible Basis:	$22,109,095
Unadjusted Threshold Basis Limit:	$30,218,766
Total Adjusted Threshold Basis Limit:	$37,773,458

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: 25%

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. See **Special Issues/Other Significant Information** below for additional information. 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

The applicant's estimate for annual operating expenses per unit is below the $4,800 published per unit operating expense minimum required for this type of project. As allowed by TCAC Regulation Section 10327(g)(1), TCAC approves the annual per unit operating expense total of $4,250 in agreement with the permanent lender and equity investor.

Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-2001-871). 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 01/01/2003 through 12/31/2017. The existing regulatory agreement expires 12/31/2032. The existing regulatory agreement income targeting is 29 units at or below 50% AMI and 85 units at or below 60% AMI. The newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreement and any deeper targeting levels in the new regulatory agreement for the duration of the new regulatory agreement.

The project is a resyndication where the existing regulatory agreement requires service amenities of education classes and assistance with daily living such as van services, bus service, or similar transportation services. The project shall provide a similar or greater level of services for a period of at least 15 years under the new regulatory agreement. The project is committed to continue providing services for a period of at least 15 years. At placed-in-service, the project shall demonstrate that the services provided would be able to obation 10 points for services pursuant to TCAC Regulation Section 10325(c)(5)(B) and that the services budget is reasonable and sufficient to support the services.

The project is a resyndication occurring concurrently with a Transfer Event with distribution of Net Project Equity. The rehabilitation scope of work shall include all of the Short Term Work in the amount of $41,775. The Short Term Work amount of $41,775 is excluded from eligible basis.

Local Reviewing Agency
The Local Reviewing Agency, the City of Napa, 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**
$777,134	**$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
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 having at least 1 building subject to a policy developed by the owner that prohibits smoking in contiguous designated units.
- The project commits to a parking ratio equivalent of 1 parking stall or less per SRO and 1-bedroom restricted rental units, and 1.5 parking stall or less per 2-bedroom and larger restricted rental units.