CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
March 21, 2018

Sunset Creek Apartments, located at 840 E. Travis Boulevard in Fairfield, requested and is being recommended for a reservation of $895,351 in annual federal tax credits to finance the acquisition and rehabilitation of 75 units of housing serving tenants with rents affordable to households earning 30% - 60% of area median income (AMI). The project will be developed by MidPen Housing Corporation and is located in Senate District 3 and Assembly District 11.

Sunset Creek Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Sunset Creek (CA-1993-063). See **Resyndication and Resyndication Transfer Event** below for additional information. The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

Project Number CA-18-723

Project Name	Sunset Creek Apartments	
Site Address:	840 E. Travis Boulevard	
	Fairfield, CA 94533	County: Solano
Census Tract:	2526.08	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$895,351	$0
Recommended:	$895,351	$0

Applicant Information

Applicant:	New Sunset Creek, L.P., a California Limited Partnership
Contact:	Jan M. Lindenthal
Address:	303 Vintage Park Drive, Suite 250 Foster City, CA 94404
Phone:	(650) 356-2919
Email:	jlindenthal@midpen-housing.org

General Partner(s) or Principal Owner(s):	MP Sunset Creek, LLC
General Partner Type:	Nonprofit
Parent Company(ies):	MidPen Housing Corporation
Developer:	MidPen Housing Corporation
Investor/Consultant:	California Housing Partnership Corporation
Management Agent:	MidPen Property Management Corporation

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	18
Total # of Units:	76
No. / % of Low Income Units:	75 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / Section 8 Project-Based Vouchers (20 Units - 27%)

Bond Information

Issuer:	California Municipal Finance Agency
Expected Date of Issuance:	May 1, 2018

Information

Housing Type:	Non-Targeted
Geographic Area:	Northern Region
TCAC Project Analyst:	Carmen Doonan

55-Year Use/Affordability

Aggregate Targeting	Number of Units	Percentage of Affordable Units
35% AMI:	8	11%
50% AMI:	15	20%
60% AMI:	52	69%

Unit Mix

8	1-Bedroom Units
32	2-Bedroom Units
36	3-Bedroom Units
76	Total Units

Unit Type & Number		2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
4	2 Bedrooms	30%	30%	$543
4	3 Bedrooms	30%	30%	$627
3	1 Bedroom	50%	50%	$754
5	2 Bedrooms	50%	50%	$905
7	3 Bedrooms	50%	50%	$1,045
5	1 Bedroom	60%	57%	$864
23	2 Bedrooms	60%	54%	$977
24	3 Bedrooms	60%	56%	$1,174
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$0

TCAC-confirmed Projected Lifetime Rent Benefit: $39,664,680

Project Cost Summary at Application

Land and Acquisition	$10,230,520
Construction Costs	$0
Rehabilitation Costs	$8,030,804
Construction Contingency	$979,380
Relocation	$210,000
Architectural/Engineering	$399,559
Const. Interest, Perm. Financing	$1,390,032
Legal Fees, Appraisals	$90,595
Reserves	$381,409
Other Costs	$575,864
Developer Fee	$3,089,149
Commercial Costs	$615,557
Total	**$25,992,869**

Residential

Construction Cost Per Square Foot:	$107
Per Unit Cost:	$333,510
True Cash Per Unit Cost*:	$260,148

Construction Financing

Source	Amount
Bank of America	$15,597,000
City of Fairfield - RDA	$1,524,049
City of Fairfield - Boomerang	$1,275,000
Deferred Costs	$943,734
Deferred Interest	$154,082
Seller Carryback	$3,545,000
Deferred Developer Fee	$2,172,649
General Partner Equity	$16,500
Tax Credit Equity	$764,855

Permanent Financing

Source	Amount
Bank of America - Tranche A	$1,781,000
Bank of America - Tranche B	$2,211,000
City of Fairfield - RDA	$1,524,049
City of Fairfield - Boomerang	$1,275,000
Sponsor Loan	$4,125,767
Seller Carryback	$3,545,000
Income from Operations	$318,214
Deferred Interest	$154,082
Deferred Developer Fee	$2,172,649
General Partner Equity	$16,500
Tax Credit Equity	$8,869,608
TOTAL	**$25,992,869**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$12,376,508
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$11,306,964
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$16,089,461
Qualified Basis (Acquisition):	$11,306,964
Applicable Rate:	3.27%
Maximum Annual Federal Credit, Rehabilitation:	$525,613
Maximum Annual Federal Credit, Acquisition:	$369,738
Total Maximum Annual Federal Credit:	$895,351
Approved Developer Fee (in Project Cost & Eligible Basis):	$3,089,149
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	$0.99063

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:	$23,683,473
Actual Eligible Basis:	$23,683,473
Unadjusted Threshold Basis Limit:	$34,223,648
Total Adjusted Threshold Basis Limit:	$55,442,310

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

Day Care Center

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 20%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 20%

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 3.27% 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.

Significant Information / Additional Conditions: None.

Resyndication and Resyndication Transfer Event

Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-1993-063). 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 newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreement(s) and any deeper targeting levels in the new regulatory agreement(s) for the duration of the new regulatory agreement(s). Existing households determined to be income-qualified for purposes of IRC §42 credit during the 15-year compliance period are concurrently income-qualified households for purposes of the extended use agreement. As a result, any household determined to be income qualified at the time of move-in under the existing regulatory agreement (CA-1993-063) is a qualified low-income household for the subsequent allocation (existing household eligibility is "grandfathered").

The project is a resyndication occurring concurrently with a Transfer Event without distribution of Net Project Equity, and thus is waived from the requirements under TCAC Regulation Section 10320(b)(4)(B).

Local Reviewing Agency

The Local Reviewing Agency, the City of Fairfield, has completed a site review of this project and strongly supports this project.

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.

CDLAC Additional Conditions: None.