CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 16, 2018

Creekside, located at 2990 Fifth Street in Davis, requested and is being recommended for a reservation of $1,066,502 in annual federal tax credits to finance the new construction of 89 units of housing serving tenants with rents affordable to households earning 30-60% AMI% of area median income (AMI). The project will be developed by Neighborhood Partners, LLC and will be located in Senate District 3 and Assembly District 4.

The project financing includes state funding from the AHSC program of HCD.

Project Number	CA-18-737	
Project Name	Creekside	
Site Address:	2990 Fifth Street	
	Davis, CA 95618	County: Yolo
Census Tract:	106.06	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,066,502	$0
Recommended:	$1,066,502	$0

Applicant Information

Applicant:	Neighborhood Partners, LLC
Contact:	Luke Watkins
Address:	2745 Portage Bay East Davis, CA 95616
Phone:	(530) 400-2927
Email:	lukewatkins@sbcglobal.net

General Partner(s) or Principal Owner(s):	Neighborhood Partners, LLC Davis Community Meals JSCo Creekside LLC
General Partner Type:	Joint Venture
Parent Company:	Neighborhood Partners, LLC Davis Community Meals John Stewart Company
Developer:	Neighborhood Partners, LLC
Investor/Consultant:	Enterprise Community Investment
Management Agent:	John Stewart Company

Project Information

Construction Type:	New Construction
Total # Residential Buildings:	6
Total # of Units:	90
No. / % of Low Income Units:	89 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt

Bond Information

Issuer:	CA Housing Finance Agency
Expected Date of Issuance:	August 15, 2018

Information

Housing Type:	Non-Targeted
Geographic Area:	Capital Region
TCAC Project Analyst:	Elaine Johnson

55-Year Use / Affordability

Aggregate Targeting		Percentage of
At or Below 35% AMI:	36	40%
At or Below 50% AMI:	22	25%
At or Below 60% AMI:	31	35%

Unit Mix

81	1-Bedroom Units
9	2-Bedroom Units
90	Total Units

Unit Type		2017 Rents	2017 Rents Actual	Proposed Rent
22	1 Bedroom	25%	25%	$350
13	1 Bedroom	25%	25%	$350
1	2 Bedrooms	25%	25%	$420
22	1 Bedroom	50%	50%	$700
24	1 Bedroom	60%	60%	$840
7	2 Bedrooms	60%	60%	$1,009
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$1,500

TCAC-confirmed Projected Lifetime Rent Benefit: $52,696,380

Project Cost Summary at Application

Land and Acquisition	$0
Construction Costs	$16,628,144
Rehabilitation Costs	$0
Construction Contingency	$1,170,052
Relocation	$0
Architectural/Engineering	$744,000
Const. Interest, Perm. Financing	$1,600,131
Legal Fees, Appraisals	$179,000
Reserves	$369,940
Other Costs	$2,363,733
Developer Fee	$3,250,000
Commercial Costs	$0
Total	**$26,305,000**

Residential

Construction Cost Per Square Foot:	$274
Per Unit Cost:	$292,278
True Cash Per Unit Cost*:	$282,817

Construction Financing

Source	Amount
Wells Fargo Bank	$18,000,000
CalHFA	$1,100,000
HCD AHSC Infrastructure Grants	$912,576
Costs Deferred to Perm.	$3,040,855
Enterprise Community Investment	$3,251,569

Permanent Financing

Source	Amount
CalHFA	$2,400,000
CalHFA	$1,100,000
HCD AHSC Housing Loan	$10,904,172
HCD AHSC Infrastructure Grant	$912,576
Deferred Developer Fees	$1,134,307
Tax Credit Equity	$9,853,945
TOTAL	**$26,305,000**

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

Determination of Credit Amount(s)

Requested Eligible Basis:	$25,094,213
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	$32,622,477
Applicable Rate:	3.27%
Maximum Annual Federal Credit:	$1,066,755
Approved Developer Fee (in Project Cost & Eligible Basis):	$3,250,000
Investor/Consultant:	Enterprise Community Investment
Federal Tax Credit Factor:	$0.92395

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.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	$25,094,213
Actual Eligible Basis:	$25,094,213
Unadjusted Threshold Basis Limit:	$23,575,698
Total Adjusted Threshold Basis Limit:	$48,094,424

Highest or High Resource Opportunity Area
55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 24%
55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 80%

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 **"Significant Information / Additional Conditions"** Section below), 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

This Project's annual per unit operating expense total is below the TCAC published per unit operating minimums of $4,900. As allowed by TCAC Regulation Section 10327(g)(1), TCAC approves an annual per unit operating expense total of $4,448 on agreement of the permanent lender and equity investor.

Local Reviewing Agency

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

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

The applicant/owner is required to provide the tenants with the following service amenities free of charge for a minimum of fifteen (15) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC:

- Contract with a full time equivalent bona fide service coordinator / social worker for a minimum number of hours per year on-site

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 becoming certified under GreenPoint Rated Multifamily Guidelines
- The project will provide energy efficiency with renewable energy that offsets 40% of project tenants' energy load
- 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.