

# CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

## Project Staff Report Tax-Exempt Bond Project May 16, 2018

Antioch Scattered Site Renovation, located at 1945 and 1949 Cavallo Rd. and 104-106 & 35-107 West 20th St. in Antioch, requested and is being recommended for a reservation of \$579,487 in annual federal tax credits to finance the acquisition and rehabilitation of 54 units of housing serving tenants with rents affordable to households earning 30%-60% of area median income (AMI). The project will be developed by Resources for Community Development and is located in Senate District 7 and Assembly District 11.

Antioch Scattered Site Renovation is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Pinecrest Apartments (CA-2000-873). 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-18-748

**Project Name** Antioch Scattered Site Renovation

Site Address:	<u>Pinecrest Apartments</u> 1945 and 1949 Cavallo Rd. Antioch, CA 94509	<u>Terrace Glen Apartments</u> 104-106 & 35-107 West 20th St. Antioch, CA 94509
Census Tract:	3060.03	3050.00
County:	Contra Costa	

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$579,487	\$0
Recommended:	\$579,487	\$0

### Applicant Information

Applicant: Resources for Community Development  
Contact: Daniel Sawislak  
Address: 2220 Oxford St  
Berkeley, CA 94704  
Phone: (510)841-4410  
Email: dsawislak@rcdhousing.org

General Partner(s) or Principal Owner(s):	RCD GP III, LLC
General Partner Type:	Nonprofit
Parent Company(ies):	Resources for Community Development
Developer:	Resources for Community Development
Investor/Consultant:	California Housing Partnership Corporation
Management Agent:	John Stewart Company

**Project Information**

Construction Type: Acquisition & Rehabilitation  
 Total # Residential Buildings: 10  
 Total # of Units: 56  
 No. / % of Low Income Units: 54 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-Based Vouchers (13% - 7 units)  
 RAD Vouchers (39% - 21 units) / HOME

**Bond Information**

Issuer: County of Contra Costa  
 Expected Date of Issuance: September 1, 2018

**Information**

Housing Type: Non-Targeted  
 Geographic Area: East Bay Region  
 TCAC Project Analyst: Marlene McDonough

**55-Year Use / Affordability**

<b>Aggregate Targeting Number of Units</b>	<b>Percentage of Affordable Units</b>
At or Below 35% AMI: 7	13%
At or Below 50% AMI: 32	59%
At or Below 60% AMI: 15	28%

**Unit Mix**

26 1-Bedroom Units  
 26 2-Bedroom Units  
 4 3-Bedroom Units  


---

 56 Total Units

<b>Unit Type &amp; Number</b>	<b>2017 Rents Targeted % of Area Median Income</b>	<b>2017 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
<u>Pinecrest Apartments</u>			
3 1 Bedroom	30%	30%	\$587
5 1 Bedroom	40%	40%	\$783
7 1 Bedroom	50%	50%	\$978
1 2 Bedrooms	50%	50%	\$1,173
5 1 Bedroom	50%	49%	\$968
2 1 Bedroom	50%	50%	\$978
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0
<u>Terrace Glen Apartments</u>			
2 2 Bedrooms	30%	30%	\$704
2 3 Bedrooms	30%	30%	\$813
1 1 Bedroom	50%	49%	\$968
6 2 Bedrooms	50%	50%	\$1,173
3 1 Bedroom	50%	50%	\$978
2 3 Bedrooms	50%	50%	\$1,356
7 2 Bedrooms	60%	60%	\$1,408
4 2 Bedrooms	60%	56%	\$1,306
4 2 Bedrooms	60%	60%	\$1,408
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$12,293,820

#### **Project Cost Summary at Application**

Land and Acquisition	\$6,926,572
Construction Costs	\$0
Rehabilitation Costs	\$4,307,000
Construction Contingency	\$646,050
Relocation	\$400,000
Architectural/Engineering	\$465,180
Const. Interest, Perm. Financing	\$1,189,468
Legal Fees, Appraisals	\$101,000
Reserves	\$281,616
Other Costs	\$582,755
Developer Fee	\$2,007,981
Commercial Costs	\$0
<b>Total</b>	<b>\$16,907,622</b>

**Residential**

Construction Cost Per Square Foot:	\$108
Per Unit Cost:	\$301,922
True Cash Per Unit Cost*:	\$290,678

**Construction Financing**

Source	Amount
Bank of the West	\$9,260,000
City of Antioch <sup>1</sup>	\$2,197,808
Contra Costa County <sup>1</sup>	\$1,381,488
City of Antioch <sup>2</sup>	\$1,325,728
Contra Costa County HOME <sup>2</sup>	\$956,720
Accrued/Deferred Interest	\$227,730
Deferred Costs	\$442,960
Deferred Developer Fee	\$707,981
Limited Partner Equity	\$407,207

**Permanent Financing**

Source	Amount
Bank of the West - Tranche A	\$2,376,000
Bank of the West - Tranche B	\$1,247,000
City of Antioch <sup>1</sup>	\$2,197,808
Contra Costa County <sup>1</sup>	\$1,381,488
City of Antioch <sup>2</sup>	\$1,325,728
Contra Costa County HOME <sup>2</sup>	\$956,720
Contra Costa County HOME	\$500,000
Accrued/Deferred Interest	\$227,730
Project Reserves	\$205,900
Deferred Developer Fee	\$629,672
General Partner Equity	\$500,000
Tax Credit Equity	\$5,359,576
<b>TOTAL</b>	<b>\$16,907,622</b>

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

<sup>1</sup> Terrace Glen

<sup>2</sup> Pinecrest

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$7,755,985
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$7,638,533
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$10,082,781
Qualified Basis (Acquisition):	\$7,638,533
Applicable Rate:	3.27%
Maximum Annual Federal Credit, Rehabilitation:	\$329,707
Maximum Annual Federal Credit, Acquisition:	\$249,780
Total Maximum Annual Federal Credit:	\$579,487
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,007,980
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	\$0.92488

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:	\$15,394,518
Actual Eligible Basis:	\$15,394,518
Unadjusted Threshold Basis Limit:	\$22,923,730
Total Adjusted Threshold Basis Limit:	\$41,950,426

**Adjustments to Basis Limit**

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 59%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 26%

**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**

This project involves the substantial rehabilitation of 2 scattered-sites originally constructed in the 1960s in the City of Antioch.

**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-2000-873). 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 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, City of Antioch, 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.