

# **CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

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

Sunrise Gardens, located at 1400 Woodman Circle in Placerville, requested and is being recommended for a reservation of \$345,013 in annual federal tax credits to finance the acquisition and rehabilitation of 66 units of housing serving seniors with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by The Hampstead Group, Inc. and is located in Senate District 1 and Assembly District 5.

The project will be receiving rental assistance in the form of HUD Project-based Section 8 Contract.

<b>Project Number</b>	CA-18-758
<b>Project Name</b>	Sunrise Gardens
Site Address:	1400 Woodman Circle Placerville, CA 95667
Census Tract:	311.00
	County: El Dorado

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$345,013	\$0
Recommended:	\$345,013	\$0

### **Applicant Information**

Applicant:	Hampstead Sunrise Partners, LP
Contact:	Eric Miller
Address:	18757 Burbank Blvd., Suite 102 Tarzana, CA 91356
Phone:	(818) 774-1550
Email:	emiller@carehousingsservices.org

General Partner(s) or Principal Owner(s):	Sunrise CARE MGP, LLC Hampstead Sunrise, LLC
General Partner Type:	Joint Venture
Parent Company(ies):	CARE Housing Services Corporation The Hampstead Group, LLC
Developer:	The Hampstead Group, Inc.
Investor/Consultant:	Candeur Group, Inc.
Management Agent:	Jordan Management Company AWI Management Corporation

**Project Information**

Construction Type: Acquisition & Rehabilitation  
 Total # Residential Buildings: 7  
 Total # of Units: 67  
 No. / % of Low Income Units: 66 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HUD Project-based Section 8 Contract (66 units - 100%)

**Bond Information**

Issuer: CalHFA  
 Expected Date of Issuance: May 16, 2018

**Information**

Housing Type: Seniors  
 Geographic Area: Capital Region  
 TCAC Project Analyst: Tiffani Negrete

**55-Year Use / Affordability**

<b>Aggregate Targeting Number of Units</b>	<b>Percentage of Affordable Units</b>
At or Below 50% AMI: 7	11%
At or Below 60% AMI: 59	89%

**Unit Mix**

55 1-Bedroom Units
12 2-Bedroom Units
<b>67 Total Units</b>

<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>
6 1 Bedroom	50%	50%	\$696
47 1 Bedroom	60%	60%	\$835
2 1 Bedroom	60%	60%	\$835
1 2 Bedrooms	50%	50%	\$835
6 2 Bedrooms	60%	60%	\$1,002
4 2 Bedrooms	60%	60%	\$1,002
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$887

TCAC-confirmed Projected Lifetime Rent Benefit: \$13,479,840

**Project Cost Summary at Application**

Land and Acquisition	\$5,500,000
Construction Costs	\$0
Rehabilitation Costs	\$3,131,580
Construction Contingency	\$313,158
Relocation	\$100,500
Architectural/Engineering	\$300,579
Const. Interest, Perm. Financing	\$1,084,608
Legal Fees, Appraisals	\$217,500
Reserves	\$0
Other Costs	\$275,139
Developer Fee	\$1,376,198
Commercial Costs	\$0
<b>Total</b>	<b>\$12,299,262</b>

**Residential**

Construction Cost Per Square Foot:	\$69
Per Unit Cost:	\$183,571
True Cash Per Unit Cost*:	\$183,459

**Construction Financing**

Source	Amount
RedStone Tax Exempt, LLC	\$8,850,000
Candeur Group, LLC Loan	\$160,000
Income During Construction	\$637,912
Deferred Developer Fee	\$465,567
Tax Credit Equity	\$2,185,783

**Permanent Financing**

Source	Amount
RedStone Tax Exempt, LLC	\$8,458,000
Candeur Group, LLC Loan	\$160,000
Income During Construction	\$637,912
Deferred Developer Fee	\$7,540
Tax Credit Equity	\$3,035,810
<b>TOTAL</b>	<b>\$12,299,262</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis (Rehabilitation):	\$5,479,353
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$5,071,500
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$5,479,353
Qualified Basis (Acquisition):	\$5,071,500
Applicable Rate:	3.27%
Maximum Annual Federal Credit, Rehabilitation:	\$179,175
Maximum Annual Federal Credit, Acquisition:	\$165,838
Total Maximum Annual Federal Credit:	\$345,013
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,376,198
Investor/Consultant:	Candeur Group, Inc.
Federal Tax Credit Factor:	\$0.87991

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:	\$10,550,853
Actual Eligible Basis:	\$10,550,853
Unadjusted Threshold Basis Limit:	\$17,831,390
Total Adjusted Threshold Basis Limit:	\$19,614,529

**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: 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 3.27% 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

**Local Reviewing Agency**

The Local Reviewing Agency, the City of Placerville, 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**

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.