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

Highland Creek Apartments, located at 800 Gibson Drive in Roseville, requested and is being recommended for a reservation of $1,072,928 in annual federal tax credits to finance the acquisition and rehabilitation of 183 units of housing serving large families 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 4 and Assembly District 6.

Highland Creek Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Highland Creek Apartments (CA-2002-892). See **Resyndication and Resyndication Transfer Event** below for additional information.

| | |
|---|---|
| **Project Number** | CA-18-760 |

| | | |
|---|---|---|
| **Project Name** | Highland Creek Apartments | |
| Site Address: | 800 Gibson Drive | |
| | Roseville, CA 95678 | County: Placer |
| Census Tract: | 226.00 | |

| **Tax Credit Amounts** | **Federal/Annual** | **State/Total** |
|---|---|---|
| Requested: | $1,072,928 | $0 |
| Recommended: | $1,072,928 | $0 |

**Applicant Information**

| | |
|---|---|
| Applicant: | Highland by Vintage, LP |
| Contact: | Michael K. Gancar |
| Address: | 369 San Miguel Drive, Ste. 135<br>Newport Beach, CA 92660 |
| Phone: | (949) 721-6775 |
| Email: | mgancar@vintagehousing.com |

| | |
|---|---|
| General Partner(s) or Principal Owner(s): | Highland by Vintage Partners, LLC<br>Community Revitalization and Development Corp. |
| General Partner Type: | Joint Venture |
| Parent Company(ies): | Vintage Housing Holdings, LLC<br>Community Revitalization and Development Corp. |
| 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: | 9 |
| Total # of Units: | 184 |
| No. / % of Low Income Units: | 183 100.00% |
| Federal Set-Aside Elected: | 40%/60% |
| Federal Subsidy: | Tax-Exempt |

**Bond Information**

| | |
|---|---|
| Issuer: | California Statewide Communities Development Authority |
| Expected Date of Issuance: | June 1, 2018 |

**Information**

| | |
|---|---|
| Housing Type: | Large Family |
| Geographic Area: | Capital Region |
| TCAC Project Analyst: | Carmen Doonan |

**55-Year Use / Affordability**

| Aggregate Targeting Number of Units | | Percentage of Affordable Units |
|---|---|---|
| At or Below 50% AMI: | 55 | 30% |
| At or Below 60% AMI: | 128 | 70% |

**Unit Mix**

| | |
|---|---|
| 84 | 2-Bedroom Units |
| 76 | 3-Bedroom Units |
| 24 | 4-Bedroom Units |
| 184 | Total Units |

| Unit Type & Number | | 2017 Rents Targeted % of Area Median Income | 2017 Rents Actual % of Area Median Income | Proposed Rent (including utilities) |
|---|---|---|---|---|
| 42 | 2 Bedrooms | 50% | 50% | $835 |
| 40 | 2 Bedrooms | 60% | 60% | $1,002 |
| 9 | 3 Bedrooms | 50% | 50% | $965 |
| 67 | 3 Bedrooms | 60% | 60% | $1,158 |
| 4 | 4 Bedrooms | 50% | 50% | $1,076 |
| 20 | 4 Bedrooms | 60% | 60% | $1,291 |
| 1 | 2 Bedrooms | Manager’s Unit | Manager’s Unit | $0 |

* For additional information regarding the on-site manager's unit, please see the **"Significant Information Additional Conditions"** section of the staff report.

TCAC-confirmed Projected Lifetime Rent Benefit: $112,877,820

| Project Cost Summary at Application | |
|---|---|
| Land and Acquisition | $23,600,000 |
| Construction Costs | $0 |
| Rehabilitation Costs | $5,126,430 |
| Construction Contingency | $512,643 |
| Relocation | $50,000 |
| Architectural/Engineering | $150,000 |
| Const. Interest, Perm. Financing | $2,080,435 |
| Legal Fees, Appraisals | $234,500 |
| Reserves | $479,930 |
| Other Costs | $485,849 |
| Developer Fee | $4,279,726 |
| Commercial Costs | $0 |
| **Total** | **$36,999,513** |

| Residential | |
|---|---|
| Construction Cost Per Square Foot: | $25 |
| Per Unit Cost: | $201,084 |
| True Cash Per Unit Cost*: | $173,538 |

**Construction Financing**

| Source | Amount |
|---|---|
| Citi Community Captial | $24,991,323 |
| SFFRP Loan Assumption[1] | $344,973 |
| Seller Loan | $1,450,000 |
| Income During Construction | $2,077,272 |
| Deferred Developer Fee | $3,887,152 |
| Tax Credit Equity | $4,248,793 |

**Permanent Financing**

| Source | Amount |
|---|---|
| Citi Community Capital | $18,886,790 |
| SFFRP Assumption Loan[1] | $344,973 |
| Seller Loan | $1,450,000 |
| Income During Construction | $2,077,272 |
| Deferred Developer Fee | $3,618,495 |
| Tax Credit Equity | $10,621,983 |
| **TOTAL** | **$36,999,513** |

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee
[1]School Facilities Fee Reimbursement Program (SFFRP)

**Determination of Credit Amount(s)**

| | |
|---|---|
| Requested Eligible Basis (Rehabilitation): | $7,448,059 |
| 130% High Cost Adjustment: | No |
| Requested Eligible Basis (Acquisition): | $25,363,172 |
| Applicable Fraction: | 100.00% |
| Qualified Basis (Rehabilitation): | $7,448,059 |
| Qualified Basis (Acquisition): | $25,363,172 |
| Applicable Rate: | 3.27% |
| Maximum Annual Federal Credit, Rehabilitation: | $243,552 |
| Maximum Annual Federal Credit, Acquisition: | $829,376 |
| Total Maximum Annual Federal Credit: | $1,072,928 |
| Approved Developer Fee (in Project Cost & Eligible Basis): | $4,279,726 |
| Investor/Consultant: | Aegon USA Realty Advisors, LLC |
| Federal Tax Credit Factor: | $0.99000 |

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: | $32,811,231 |
| Actual Eligible Basis: | $32,811,231 |
| Unadjusted Threshold Basis Limit: | $66,720,048 |
| Total Adjusted Threshold Basis Limit: | $86,736,062 |

**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: 30%

**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:**
The on-site manager's unit will be occupied by a qualified low income resident. The on-site manager's unit will be a 2-bedroom unit occupied by a qualified low income resident restricted at 60% AMI.

This Project's annual per unit operating expense total is below the TCAC published per unit operating minimums of $4,500. As allowed by TCAC Regulation Section 10327(g)(1), TCAC approves an annual per unit operating expense total of $3,995 on agreement of the permanent lender and equity investor.

**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-2002-892). 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-02-892) is a qualified low-income household for the subsequent allocation (existing household eligibility is “grandfathered”).

The project is a resyndication where the existing regulatory agreement requires education classes and after school programs. The project shall provide a similar or greater level of services for a period of at least 15 years under the new regulatory agreement. At placed-in-service, the project shall demonstrate that the services provided would be able to obtain 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 services documented in the placed in service package will be reviewed by TCAC staff for compliance with this requirement at the time of the placed in service submission.

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 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:

- After school program on-site for a minimum of 10 hours per week