

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2018 First Round

June 13, 2018

Brookside Senior Apartments, located at 738 Mikkelsen Drive in Auburn, requested and is being recommended for a reservation of \$576,456 in annual federal tax credits and \$1,921,520 in total state tax credits to finance the acquisition and rehabilitation of 47 units of housing serving seniors with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Cascade Housing Association and is located in Senate District 1 and Assembly District 5.

Brookside Senior Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Brookside Senior Apartments (CA-98-005). See **Resyndication and Resyndication Transfer Event** below for additional information. The project will be receiving rental assistance in the form of USDA RHS 521 Rental Assistance.

Project Number CA-18-015

Project Name Brookside Senior Apartments
Site Address: 738 Mikkelsen Drive
Auburn, CA 95603 County: Placer
Census Tract: 203.000

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$576,456	\$1,921,520
Recommended:	\$576,456	\$1,921,520

* The applicant made an irrevocable election not to sell (Certificate) any portion of the state credits.

Applicant Information

Applicant: Brookside Senior 2018 Limited Partnership
Contact: Kristi Isham
Address: P.O. Box 182 / 1101 16th Street
Springfield, OR 97477
Phone: (541) 726-6181
Email: kristi.isham@cascadehousing.org

General Partner(s) / Principal Owner(s): Cascade Housing Association
General Partner Type: Nonprofit
Parent Company(ies): Cascade Housing Association
Developer: Cascade Housing Association
Investor/Consultant: WNC & Associates
Management Agent(s): Cambridge Real Estate Services

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 5
 Total # of Units: 48
 No. & % of Tax Credit Units: 47 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: USDA 515 & 521 Rental Subsidy (47 units / 100%)

Information

Set-Aside: Rural
 Housing Type: Seniors
 Geographic Area: N/A
 TCAC Project Analyst: Jack Waegell

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI: 5	10%
At or Below 40% AMI: 5	10%
At or Below 50% AMI (Rural): 24	50%
At or Below 60% AMI: 13	25%

Unit Mix

32 1-Bedroom Units
16 2-Bedroom Units
 48 Total Units

<u>Unit Type & Number</u>	<u>2017 Rents Targeted % of Area Median Income</u>	<u>2017 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
3 1 Bedroom	30%	30%	\$417
3 1 Bedroom	40%	40%	\$557
16 1 Bedroom	50%	50%	\$696
10 1 Bedroom	60%	52%	\$730
2 2 Bedrooms	30%	30%	\$501
2 2 Bedrooms	40%	40%	\$668
8 2 Bedrooms	50%	47%	\$783
3 2 Bedrooms	60%	47%	\$783
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$15,564,780

Project Cost Summary at Application

Land and Acquisition	\$1,021,122
Construction Costs	\$0
Rehabilitation Costs	\$4,382,646
Construction Contingency	\$187,280
Relocation	\$511,030
Architectural/Engineering	\$67,000
Const. Interest, Perm. Financing	\$265,768
Legal Fees, Appraisals	\$148,500
Reserves	\$494,137
Other Costs	\$219,228
Developer Fee	\$835,444
Commercial Costs	\$0
Total	\$8,132,155

Residential

Construction Cost Per Square Foot:	\$128
Per Unit Cost:	\$169,420
True Cash Per Unit Cost*:	\$169,420

Construction Financing

Source	Amount
Rabobank	\$4,306,589
USDA - 515 Assumed Loan	\$1,021,122
Existing Reserves/Accounts	\$205,000
Deferred Operating Reserve	\$169,138
Deferred Developer Fee	\$835,444
Tax Credit Equity	\$1,594,862

Permanent Financing

Source	Amount
Bonneville Mortgage	\$526,587
USDA - 515 Assumed Loan	\$1,021,122
Existing Reserves/Accounts	\$205,000
Tax Credit Equity	\$6,379,446
TOTAL	\$8,132,155

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$6,405,068
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$0
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$6,405,068
Applicable Rate:	9.00%
Qualified Basis (Acquisition):	\$0
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	\$576,456
Maximum Annual Federal Credit, Acquisition:	\$0
Total Maximum Annual Federal Credit:	\$576,456
Total State Credit:	\$1,921,520
Approved Developer Fee (in Project Cost & Eligible Basis):	\$835,444
Investor/Consultant:	WNC & Associates
Federal Tax Credit Factor:	\$0.89000
State Tax Credit Factor:	\$0.65000

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, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits, unless a waiver has been granted for a purchase price not to exceed the sum of third party debt that will be assumed or paid off. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$6,405,068
Actual Eligible Basis:	\$6,405,068
Unadjusted Threshold Basis Limit:	\$11,635,648
Total Adjusted Threshold Basis Limit:	\$11,635,648

Adjustments to Basis Limit: None.

Tie-Breaker Information

First:	Seniors
Final:	36.376%

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 9.0% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.25%. 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

On February 2, 2018 TCAC approved a waiver of the senior housing type 20% limit on units larger than one-bedroom for this existing senior project in order for it to resyndicate as a 100% tax-credit project with 33% two-bedroom units (16 units including the manager's unit). Under the existing regulatory agreement, CA-98-005, 6 of the two-bedroom units were not allowed to be tax-credit units in order to meet the 1998 senior housing type 20% limit on units larger than 1-bedroom resulting in an applicable fraction of 85.42%.

The existing regulatory agreement (CA-98-005) has 6 units that are not qualified tax credit units. Of these 6 units, 3 are currently vacant and 3 are occupied by tenants that are currently in compliance with USDA requirements and that will income-qualify as tax credit tenants allowing for the newly resyndicated project to be a 100% tax credit project without the necessity to permanently relocate any of the existing tenants.

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-98-005). 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 initial 15 year compliance period is from January 1 of the owner's elected first year of credit through December 31 of the 15th year. The existing regulatory agreement expires 12/31/54.

The project is a resyndication occurring concurrently with a Transfer Event without the distribution of Net Project Equity, and thus is waived from setting aside a Short Term Capitalized Replacement Reserve that is otherwise required.

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-98-005) is a qualified low-income household for the subsequent allocation (existing household eligibility is "grandfathered").

Legal Status

Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

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

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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 performance deposit and allocation 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.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of fifteen years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(5) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

Points System	Max. Possible Points	Requested Points	Points Awarded
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ½ mile of transit (van or dial-a-ride service for rural set-aside)	4	4	4
Within 1 mile of public park or community center open to general public	3	3	3
Within 1 mile of public library	3	3	3
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Senior project within 1 mile of daily operated senior center/facility	3	3	3
Within 1 mile of medical clinic or hospital	3	3	3
Within 1 mile of a pharmacy	2	2	2
Service Amenities	10	10	10
SENIOR HOUSING TYPE			
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	7	7	7
Health & wellness services and programs, minimum 60 hrs per 100 bdms	3	3	3
Sustainable Building Methods	5	5	5
REHABILITATION			
Rehabilitate to improve energy efficiency (change in HERS II rating): 20%	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
Readiness to Proceed	10	10	10
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	113	113	113

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.