

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 18, 2018

Sierra Heights Apartments, located at Executive Parkway and Hillview Ridge in Oroville, requested and is being recommended for a reservation of \$310,683 in annual federal tax credits to finance the new construction of 39 units of housing serving seniors with rents affordable to households earning 45-50% of area median income (AMI). The project will be developed by Willow Partners, LLC and will be located in Senate District 4 and Assembly District 3.

Project Number CA-18-610

Project Name Sierra Heights Apartments
Site Address: Executive Parkway & Hillview Ridge
Oroville, CA 95966 County: Butte
Census Tract: 27.00

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$310,683	\$0
Recommended:	\$310,683	\$0

Applicant Information

Applicant: WP Sierra Heights Apartments, LP
Contact: Amelia Ross
Address: 310 N Westlake Blvd # 210
Westlake Village, CA 91632
Phone: 805-379-8555
Email: aross@willowpartners.com

General Partner(s) or Principal Owner(s): Central Valley Coalition for Affordable Housing
WP Sierra Heights, LLC

General Partner Type: Joint Venture

Parent Company(ies): Central Valley Coalition for Affordable Housing
Willow Partners, LLC

Developer: Willow Partners, LLC

Investor/Consultant: City Real Estate Advisors, LLC

Management Agent: Buckingham Property Management Company

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 40
 No. / % of Low Income Units: 39 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HOME

Bond Information

Issuer: CSCDA
 Expected Date of Issuance: October 31, 2018

Information

Housing Type: Seniors
 Geographic Area: Northern Region
 TCAC Project Analyst: Lucy Vang

55-Year Use / Affordability

Aggregate Targeting Number of Units	Percentage of Affordable Units
At or Below 50% AMI: 39	100%

Unit Mix

32 1-Bedroom Units
8 2-Bedroom Units
<u>40 Total Units</u>

Unit Type & Number	2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
16 1 Bedroom	45%	45%	\$510
15 1 Bedroom	50%	50%	\$567
3 2 Bedrooms	45%	45%	\$613
5 2 Bedrooms	50%	50%	\$681
1 1 Bedroom	Manager's Unit	Manager's Unit	\$567

TCAC-confirmed Projected Lifetime Rent Benefit: \$5,739,360

Project Cost Summary at Application

Land and Acquisition	\$553,263
Construction Costs	\$5,616,000
Rehabilitation Costs	\$0
Construction Contingency	\$300,000
Relocation	\$0
Architectural/Engineering	\$575,000
Const. Interest, Perm. Financing	\$537,499
Legal Fees, Appraisals	\$215,000
Reserves	\$58,288
Other Costs	\$1,259,106
Developer Fee	\$1,238,094
Commercial Costs	\$0
Total	\$10,352,250

Residential

Construction Cost Per Square Foot:	\$215
Per Unit Cost:	\$258,806
True Cash Per Unit Cost*:	\$243,331

Construction Financing

Source	Amount
Rabobank	\$7,000,000
City of Oroville	\$660,000
HCD HOME Funds	\$800,000
Federal Home Loan Bank AHP	\$600,000
Deferred Developer Fee	\$792,250
Tax Credit Equity	\$500,000

Permanent Financing

Source	Amount
Rabobank	\$795,000
City of Oroville	\$660,000
HCD HOME Funds	\$4,500,000
Federal Home Loan Bank AHP	\$600,000
Deferred Developer Fee	\$619,000
Tax Credit Equity	\$3,178,250
TOTAL	\$10,352,250

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$9,501,000
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$9,501,000
Applicable Rate:	3.27%
Maximum Annual Federal Credit:	\$310,683
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,238,094
Investor/Consultant:	City Real Estate Advisors, LLC
Federal Tax Credit Factor:	\$1.02299

Except as allowed for projects basing cost on assumed third party debt, the “as if vacant” land value and the existing improvement value established at application for all projects, 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. 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:	\$9,501,000
Actual Eligible Basis:	\$9,501,000
Unadjusted Threshold Basis Limit:	\$10,689,856
Total Adjusted Threshold Basis Limit:	\$22,262,118

Adjustments to Basis Limit

Local Development Impact Fees
55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 100%

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.

Resyndication and Resyndication Transfer Event: None.

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: None.