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

Fairwood Apartments, located at 8893 Fair Oaks Blvd. in Carmichael, requested and is being recommended for a reservation of $673,212 in annual federal tax credits to finance the acquisition and rehabilitation of 86 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by OAHS Fairwood Developer, LLC and is located in Senate District 4 and Assembly District 8.

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

Project Number CA-18-762

Project Name Fairwood Apartments
Site Address: 8893 Fair Oaks Blvd.
Carmichael, CA 95608 County: Sacramento
Census Tract: 79.05

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	$673,212	$0
Recommended:	$673,212	$0

Applicant Information
Applicant: OAHS Fairwood LP
Contact: Jay Reinhard
Address: 720 East Palisade Avenue
Englewood Cliffs, NJ 07632
Phone: (201) 793-3121
Email: jay@lhapts.com

General Partner(s) or Principal Owner(s): PH Fairwood Holdings, LLC
OAHS Fairwood GP, LLC
General Partner Type: Joint Venture
Parent Company(ies): Pacific Housing, Inc.
Orbach Affordable Housing Solutions, LLC
Developer: OAHS Fairwood Developer, LLC
Investor/Consultant: Berkadia Commercial Mortgage LLC
Management Agent: Orbach Affordable Management

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	22
Total # of Units:	86
No. / % of Low Income Units:	86 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-Based Contract (86 units - 100%)

Bond Information

Issuer:	California Housing Finance Agency (CalHFA)
Expected Date of Issuance:	May 25, 2018

Information

Housing Type:	N/A
Geographic Area:	Capital Region
TCAC Project Analyst:	Tiffani Negrete

55-Year Use / Affordability

Aggregate Targeting	Number of Units	Percentage of Affordable Units
At or Below 50% AMI:	13	15%
At or Below 60% AMI:	73	85%

Unit Mix

22	1-Bedroom Units
48	2-Bedroom Units
16	3-Bedroom Units
86	Total Units

Unit Type & Number		2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
2	1 Bedroom	50%	50%	$751
20	1 Bedroom	60%	60%	$901
5	2 Bedrooms	50%	50%	$901
23	2 Bedrooms	60%	60%	$1,081
4	2 Bedrooms	50%	50%	$901
16	2 Bedrooms	60%	60%	$1,081
2	3 Bedrooms	50%	50%	$1,041
14	3 Bedrooms*	60%	60%	$1,250

*One of the affordable three-bedroom units will be occupied by a tax-credit qualified property manager. See the "**Significant Information / Additional Conditions**" section of the staff report.

TCAC-confirmed Projected Lifetime Rent Benefit: $15,706,680

Project Cost Summary at Application

Land and Acquisition	$14,100,000
Construction Costs	$0
Rehabilitation Costs	$4,119,695
Construction Contingency	$260,740
Relocation	$100,000
Architectural/Engineering	$135,000
Const. Interest, Perm. Financing	$400,198
Legal Fees, Appraisals	$412,650
Reserves	$526,832
Other Costs	$436,238
Developer Fee	$2,684,693
Commercial Costs	$0
Total	**$23,176,046**

Residential

Construction Cost Per Square Foot:	$52
Per Unit Cost:	$269,489
True Cash Per Unit Cost*:	$260,083

Construction Financing

Source	Amount
Berkadia** - T.E. Bonds	$13,686,000
Seller Carryback Note	$2,000,000
Bridge Construction Loan	$2,100,000
Deferred Costs	$2,635,853
Limited Partner Equity	$2,754,193

Permanent Financing

Source	Amount
Berkadia** - T.E. Bonds	$13,686,000
Seller Carryback Note	$2,000,000
Operating Income	$276,032
Deferred Developer Fee	$808,917
Tax Credit Equity	$6,405,097
TOTAL	**$23,176,046**

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee
**Berkadia Commercial Mortgage LLC

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$5,757,567
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	$14,829,958
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$5,757,567
Qualified Basis (Acquisition):	$14,829,958
Applicable Rate:	3.27%
Maximum Annual Federal Credit, Rehabilitation:	$188,272
Maximum Annual Federal Credit, Acquisition:	$484,940
Total Maximum Annual Federal Credit:	$673,212
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,684,693
Investor/Consultant:	Berkadia Commercial Mortgage LLC
Federal Tax Credit Factor:	$0.95142

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:	$20,587,525
Actual Eligible Basis:	$20,587,525
Unadjusted Threshold Basis Limit:	$26,847,884
Total Adjusted Threshold Basis Limit:	$30,875,067

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: 15%

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 meet 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 has 86 affordable tax-credit qualified units including a three-bedroom tax-credit qualified property manager's unit.

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.