

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

Rocklin Gateway, located at 4750 Pacific Street in Rocklin, requested and is being recommended for a reservation of \$268,542 in annual federal tax credits to finance the new construction of 41 units of housing serving tenants with rents affordable to households earning 50% of area median income (AMI). The project will be developed by Wolff Holdings II, LLC and will be located in Senate District 1 and Assembly District 6.

**Project Number** CA-18-763

**Project Name** Rocklin Gateway  
 Site Address: 4750 Pacific Street  
 Rocklin, CA 95677 County: Placer  
 Census Tract: 211.03

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$268,542	\$0
Recommended:	\$268,542	\$0

**Applicant Information**

Applicant: Paxion Rocklin AH, LP  
 Contact: Jonathan Van Gorp  
 Address: 2494 Sand Hill Road, Building 7, Suite 200  
 Menlo Park, CA 94025  
 Phone: (650) 446-7861  
 Email: Jonathan@paxion.com

General Partner(s) or Principal Owner(s): Catalyst Rocklin, LP  
 AOF Rocklin LLC

General Partner Type: Joint Venture  
 Parent Company(ies): Paxion Capital  
 AOF /Pacific Affordable Housing Corporation

Developer: Wolff Holdings II, LLC  
 Investor/Consultant: Paxion Real Estate Holding LLC  
 Management Agent: Avenue5 Residential

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 8  
 Total # of Units: 204  
 No. / % of Low Income Units: 41 20.30%  
 Federal Set-Aside Elected: 20%/50%  
 Federal Subsidy: Tax-Exempt / FHA 221(d)

**Bond Information**

Issuer: California Public Finance Authority  
 Expected Date of Issuance: August 31, 2018

**Information**

Housing Type: Non-Targeted  
 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: 41	100%

**Unit Mix**

102 1-Bedroom Units  
 102 2-Bedroom Units  


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 204 Total Units

<b>Unit Type &amp; Number</b>	<b>2018 Rents Targeted % of Area Median Income</b>	<b>2018 Rents Actual % of Area Median Income</b>	<b>Proposed Rent (including utilities)</b>
21 1 Bedroom	50%	50%	\$751
20 2 Bedrooms	50%	50%	\$901
1 1 Bedroom	Manager's Unit	Manager's Unit	\$1,650
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$1,825
80 1 Bedroom	Market Rate Unit	Market Rate Unit	\$1,650
81 2 Bedrooms	Market Rate Unit	Market Rate Unit	\$1,825

TCAC-confirmed Projected Lifetime Rent Benefit: \$12,443,640

**Project Cost Summary at Application**

Land and Acquisition	\$2,760,000
Construction Costs	\$28,004,136
Rehabilitation Costs	\$0
Construction Contingency	\$0
Relocation	\$0
Architectural/Engineering	\$1,508,420
Const. Interest, Perm. Financing	\$3,107,298
Legal Fees, Appraisals	\$161,325
Reserves	\$774,731
Other Costs	\$7,653,281
Developer Fee	\$2,487,380
Commercial Costs	\$0
<b>Total</b>	<b>\$46,456,571</b>

**Residential**

Construction Cost Per Square Foot:	\$175
Per Unit Cost:	\$227,728
True Cash Per Unit Cost*:	\$227,728

**Construction Financing**

Source	Amount
FHA 221(d) Loan**	\$39,442,000
General Partner Equity	\$4,329,151
Tax Credit Equity	\$2,685,420

**Permanent Financing**

Source	Amount
FHA 221(d) Loan**	\$39,442,000
General Partner Equity	\$4,329,151
Tax Credit Equity	\$2,685,420
<b>TOTAL</b>	<b>\$46,456,571</b>

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

\*\*Loan provided by Berkadia Commercial Mortgage, LLC

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$40,990,313
130% High Cost Adjustment:	No
Applicable Fraction:	20.10%
Qualified Basis:	\$8,237,823
Applicable Rate:	3.27%
Total Maximum Annual Federal Credit:	\$268,542
Approved Developer Fee in Project Cost:	\$2,487,380
Approved Developer Fee in Eligible Basis:	\$2,260,380
Investor/Consultant:	Paxion Real Estate Holding LLC
Federal Tax Credit Factor:	\$1.00000

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:	\$40,990,313
Actual Eligible Basis:	\$40,990,313
Unadjusted Threshold Basis Limit:	\$57,758,316
Total Adjusted Threshold Basis Limit:	\$75,780,693

**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: 20%

**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.**

Pursuant to TCAC Regulation Section 10326(g)(5), general partners and management companies lacking documented experience with Section 42 requirements using the minimum scoring standards at Section 10325(c)(2)(A) and (B) shall be required to complete training as prescribed by TCAC prior to a project’s placing in service. The required TCAC training for the general partner has been completed and the certification of completion has been received by TCAC.

**Resyndication and Resyndication Transfer Event.** None.

**Local Reviewing Agency**

The Local Reviewing Agency, City of Rocklin Community Development Department, 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.