

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2018 Second Round

September 19, 2018

Kelseyville Family Apartments, located at 5400 Gaddy Lane in Kelseyville, requested and is being recommended for a reservation of \$2,500,000 in annual federal tax credits to finance the new construction of 53 units of housing serving large families with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Corporation for Better Housing and will be located in Senate District 2 and Assembly District 4.

The project will be receiving rental assistance in the form of USDA RHS 521 Rental Assistance.

Project Number CA-18-123

Project Name Kelseyville Family Apartments
Site Address: 5400 Gaddy Lane
Kelseyville, CA 95451 County: Lake
Census Tract: 10.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,500,000	\$0
Recommended:	\$2,500,000	\$0

Applicant Information

Applicant: 5400 Gaddy Ln., L.P., a California limited partnership
Contact: Lori Koester
Address: 21031 Ventura Blvd., Suite 200
Woodland Hills, CA 91364
Phone: (818) 905-2430
Email: lkoester@corpoffices.org

General Partner(s) / Principal Owner(s):	Corporation for Better Housing
General Partner Type:	Nonprofit
Parent Company(ies):	Corporation for Better Housing
Developer:	Corporation for Better Housing
Investor/Consultant:	Alliant Capital, Ltd.
Management Agent(s):	Domus Management Company

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 4
 Total # of Units: 54
 No. & % of Tax Credit Units: 53 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: USDA - RHS 521 (53 units 100%) / USDA - RHS 514
 Utility Allowance: CUAC

Information

Set-Aside: Rural apportionment (Section 514)
 Housing Type: Large Family
 Geographic Area: Rural Region
 TCAC Project Analyst: Marlene McDonough

55-Year Use / Affordability

	Aggregate Targeting Number of Units	Percentage of Affordable Units
At or Below 30% AMI:	6	10%
At or Below 45% AMI:	8	15%
At or Below 50% AMI (Rural):	27	50%
At or Below 60% AMI:	12	20%

Unit Mix

18 2-Bedroom Units
18 3-Bedroom Units
18 4-Bedroom Units
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54 Total Units

<u>Unit Type & Number</u>	<u>2018 Rents Targeted % of Area Median Income</u>	<u>2018 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
2 2 Bedrooms	30%	30%	\$403
2 2 Bedrooms	45%	45%	\$605
9 2 Bedrooms	50%	50%	\$672
4 2 Bedrooms	60%	60%	\$807
2 3 Bedrooms	30%	30%	\$465
3 3 Bedrooms	45%	45%	\$698
9 3 Bedrooms	50%	50%	\$776
4 3 Bedrooms	60%	60%	\$931
2 4 Bedrooms	30%	30%	\$519
3 4 Bedrooms	45%	45%	\$779
9 4 Bedrooms	50%	50%	\$866
4 4 Bedrooms	60%	60%	\$1,039
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

TCAC-confirmed Projected Lifetime Rent Benefit: \$17,137,560

Project Cost Summary at Application

Land and Acquisition	\$406,000
Construction Costs	\$18,196,614
Rehabilitation Costs	\$0
Construction Contingency	\$910,000
Relocation	\$0
Architectural/Engineering	\$469,600
Const. Interest, Perm. Financing	\$1,608,000
Legal Fees, Appraisals	\$85,000
Reserves	\$282,400
Other Costs	\$1,646,998
Developer Fee	\$2,000,000
Commercial Costs	\$0
Total	\$25,604,612

Residential

Construction Cost Per Square Foot:	\$324
Per Unit Cost:	\$474,159
True Cash Per Unit Cost*:	\$473,035

Construction Financing

Source	Amount
Pacific Western Bank	\$22,000,000
Tax Credit Equity	\$3,443,500

Permanent Financing

Source	Amount
Pacific Western Bank	\$855,300
USDA RHS 514 loan	\$3,000,000
Deferred Developer Fee	\$60,726
Solar Tax Credit Equity	\$413,586
Tax Credit Equity	\$21,275,000
TOTAL	\$25,604,612

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$21,367,518
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$27,777,773
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,500,000
Approved Developer Fee in Project Cost:	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Alliant Capital, Ltd.
Federal Tax Credit Factor:	\$0.85100

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:	\$21,367,518
Actual Eligible Basis:	\$22,964,718
Unadjusted Threshold Basis Limit:	\$18,251,316
Total Adjusted Threshold Basis Limit:	\$21,901,580

Adjustments to Basis Limit

One or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Project has onsite renewable generation estimated to produce 50% or more of annual tenant electricity use as indicated in TCAC Regulations.
- Project has onsite renewable generation estimated to produce 75% or more of annual common area electricity use as indicated in TCAC Regulations.
- New construction: project buildings are at least 15% more energy efficient than 2016 Energy Efficiency Standards (California Code of Regulations, Title 24, Part 6) as indicated in TCAC Regulations.

Highest or High Resource Opportunity Area

Tie-Breaker Information

First:	Large Family
Final:	21.143%

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: None.

Resyndication and Resyndication Transfer Event: None.

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, Lake County, has completed a site review of this project and strongly supports this project.

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	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 ¼ 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
Kelseyville High School	3	3	3
Within 1 mile of medical clinic or hospital	3	3	3
Within ½ mile of a pharmacy	2	2	2
Highest or High Resources Area	8	8	8
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
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 bdrms	3	3	3
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements: LEED	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.