

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 17, 2018

Bay Point Family Apartments, located at the Northeast Corner of Port Chicago Highway and Willow Pass Road in Bay Point, requested and is being recommended for a reservation of \$2,922,950 in annual federal tax credits to finance the new construction of 191 units of housing serving large families with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Meta Housing Corporation and will be located in Senate District 7 and Assembly District 14.

Project Number CA-18-606

Project Name Bay Point Family Apartments
Site Address: Northeast Corner of Port Chicago Highway and Willow Pass Road
Bay Point, CA 94565 County: Contra Costa
Census Tract: 5702.01

| Tax Credit Amounts | Federal/Annual | State/Total |
|---------------------------|-----------------------|--------------------|
| Requested: | \$2,922,950 | \$0 |
| Recommended: | \$2,922,950 | \$0 |

Applicant Information

Applicant: Baypoint Family Apartments, LP
Contact: Aaron Mandel
Address: 11150 W. Olympic Blvd. Suite 620
Los Angeles, CA 90064
Phone: (310) 575-3543
Email: amandel@metahousing.com

General Partner(s) or Principal Owner(s): Baypoint Family Apartments, LLC
CHBA Affordable IX, LLC
General Partner Type: Joint Venture
Parent Company(ies): Meta Housing Corporation
Community Home Builders and Associates
Developer: Meta Housing Corporation
Investor/Consultant: Red Stone Equity, LLC
Management Agent: Cambridge Real Estate Services

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 8
 Total # of Units: 193
 No. / % of Low Income Units: 191 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt

Bond Information

Issuer: Contra Costa County
 Expected Date of Issuance: October 31, 2018

Information

Housing Type: Large Family
 Geographic Area: East Bay Region
 TCAC Project Analyst: Tiffani Negrete

55-Year Use / Affordability

| Aggregate Targeting Number of Units | Percentage of Affordable Units |
|--|---|
| At or Below 50% AMI: 20 | 10% |
| At or Below 60% AMI: 171 | 90% |

Unit Mix

66 1-Bedroom Units
 24 2-Bedroom Units
 79 3-Bedroom Units
 24 4-Bedroom Units

 193 Total Units

| Unit Type & Number | 2018 Rents Targeted % of Area Median Income | 2018 Rents Actual % of Area Median Income | Proposed Rent (including utilities) |
|-----------------------------------|--|--|--|
| 6 1 Bedroom | 50% | 50% | \$1,090 |
| 60 1 Bedroom | 60% | 60% | \$1,308 |
| 3 2 Bedrooms | 50% | 50% | \$1,307 |
| 19 2 Bedrooms | 60% | 60% | \$1,569 |
| 8 3 Bedrooms | 50% | 50% | \$1,510 |
| 71 3 Bedrooms | 60% | 60% | \$1,812 |
| 3 4 Bedrooms | 50% | 50% | \$1,685 |
| 21 4 Bedrooms | 60% | 60% | \$2,022 |
| 2 2 Bedrooms | Manager's Unit | Manager's Unit | \$2,614 |

TCAC-confirmed Projected Lifetime Rent Benefit: \$73,485,060

Project Cost Summary at Application

| | |
|----------------------------------|---------------------|
| Land and Acquisition | \$8,756,397 |
| Construction Costs | \$46,110,439 |
| Rehabilitation Costs | \$0 |
| Construction Contingency | \$2,350,000 |
| Relocation | \$0 |
| Architectural/Engineering | \$1,651,652 |
| Const. Interest, Perm. Financing | \$3,873,957 |
| Legal Fees, Appraisals | \$237,500 |
| Reserves | \$868,520 |
| Other Costs | \$8,224,146 |
| Developer Fee | \$8,968,581 |
| Commercial Costs | \$0 |
| Total | \$81,041,192 |

Residential

| | |
|------------------------------------|-----------|
| Construction Cost Per Square Foot: | \$231 |
| Per Unit Cost: | \$419,903 |
| True Cash Per Unit Cost*: | \$419,903 |

Construction Financing

| Source | Amount |
|-----------------------------------|--------------|
| Pacific Western Bank - T.E. Bonds | \$63,500,000 |
| Tax-Exempt Bonds** | \$3,500,000 |
| Red Stone Equity, LLC | \$3,000,000 |
| Deferred Costs | \$8,130,064 |
| Tax Credit Equity | \$2,911,128 |

Permanent Financing

| Source | Amount |
|-----------------------------------|---------------------|
| Pacific Western Bank - T.E. Bonds | \$36,245,000 |
| Tax-Exempt Bonds** | \$3,500,000 |
| Red Stone Equity, LLC | \$3,000,000 |
| Operating Income | \$1,750,412 |
| Deferred Costs | \$7,608,572 |
| Tax Credit Equity | \$28,937,208 |
| TOTAL | \$81,041,192 |

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

**General Partner is purchasing a portion of the bond allocation

Determination of Credit Amount(s)

| | |
|--|-----------------------|
| Requested Eligible Basis: | \$68,759,118 |
| 130% High Cost Adjustment: | Yes |
| Applicable Fraction: | 100.00% |
| Qualified Basis: | \$89,386,853 |
| Applicable Rate: | 3.27% |
| Total Maximum Annual Federal Credit: | \$2,922,950 |
| Approved Developer Fee (in Project Cost & Eligible Basis): | \$8,968,581 |
| Investor/Consultant: | Red Stone Equity, LLC |
| Federal Tax Credit Factor: | \$0.99000 |

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: | \$68,759,118 |
| Actual Eligible Basis: | \$68,759,118 |
| Unadjusted Threshold Basis Limit: | \$93,158,050 |
| Total Adjusted Threshold Basis Limit: | \$108,050,391 |

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: 10%

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 are below the minimum operating expenses established in the Regulations (See "**Significant Information / Additional Conditions**" Section below), 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.

The applicant's estimate for annual operating expenses per unit is below the \$5,800 published per unit operating expense minimum required for this type of project. As allowed by TCAC Regulation Section 10327(g)(1), TCAC approves the annual per unit operating expense total of \$5,257 in agreement with the permanent lender and equity investor.

Resyndication and Resyndication Transfer Event. None.

Local Reviewing Agency

The Local Reviewing Agency, County of Contra Costa Department of Conservation and Development, 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.