CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 12, 2018

Redwood Oaks Apartments, located at 330 Redwood Avenue in Redwood City, requested and is being recommended for a reservation of $999,361 in annual federal tax credits to finance the acquisition and rehabilitation of 35 units of housing serving tenants with rents affordable to households earning 20-60% of area median income (AMI). The project will be developed by HIP Housing and is located in Senate District 13 and Assembly District 22.

Redwood Oaks Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Redwood Oaks Apartments (CA-2001-876). See **Resyndication and Resyndication Transfer Event** below for additional information. The project will be receiving rental assistance in the form of HUD Section 8 Project-based Contract. The project financing includes state funding from the MHP program of HCD.

Project Number	CA-18-643		
Project Name	Redwood Oaks Apartments		
Site Address:	330 Redwood Avenue		
	Redwood City, CA 94061	County:	San Mateo
Census Tract:	6109.00		

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$999,361	$0
Recommended:	$999,361	$0

Applicant Information

Applicant:	Redwood Oaks Associates II, LP
Contact:	Kate Comfort Harr
Address:	800 S. Claremont Street #210 San Mateo, CA 94402
Phone:	650-348-6660
Email:	kcomfort@hiphousing.org

General Partner(s) or Principal Owner(s):	Redwood Oaks - HHDC LLC
General Partner Type:	Nonprofit
Parent Company(ies):	HIP Housing HIP Housing Development Corp
Developer:	HIP Housing
Investor/Consultant:	California Housing Partnership Corporation
Management Agent:	HIP Housing Affordable Ventures, Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 6
Total # of Units: 36
No. / % of Low Income Units: 35 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HUD Section 8 Project Based Contract (33 units - 91%)

Bond Information

Issuer: CalHFA
Expected Date of Issuance: April 1, 2019

Information

Housing Type: Non-Targeted
Geographic Area: South and West Bay Region
TCAC Project Analyst: Marlene McDonough

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
At or Below 35% AMI:	11	31%
At or Below 50% AMI:	15	43%
At or Below 60% AMI:	9	26%

Unit Mix

34	1-Bedroom Units
2	2-Bedroom Units
36	Total Units

Unit Type & Number		2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
4	1 Bedroom	20%	12%	$324
7	1 Bedroom	35%	18%	$508
14	1 Bedroom	50%	50%	$1,375
1	2 Bedrooms	50%	50%	$1,650
7	1 Bedroom	60%	60%	$1,650
2	1 Bedroom	60%	60%	$1,650
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

TCAC-confirmed Projected Lifetime Rent Benefit: $35,525,820

Project Cost Summary at Application	
Land and Acquisition	$11,850,000
Construction Costs	$0
Rehabilitation Costs	$7,700,000
Construction Contingency	$1,540,000
Relocation	$1,200,000
Architectural/Engineering	$550,000
Const. Interest, Perm. Financing	$1,390,338
Legal Fees, Appraisals	$150,000
Reserves	$385,394
Other Costs	$728,485
Developer Fee	$3,440,421
Commercial Costs	$0
Total	**$28,934,638**

Residential	
Construction Cost Per Square Foot:	$371
Per Unit Cost:	$803,740
True Cash Per Unit Cost*:	$588,896

Construction Financing

Source	Amount
Citibank	$15,175,000
Redwood City - Existing	$359,622
San Mateo County - Existing	$378,985
HCD - MHP	$1,102,123
Seller Carryback Loan	$7,734,382
Reserves	$157,051
Deferred Costs	$1,902,894
Income from Operations	$209,973
General Partner Contribution	$940,421
Tax Credit Equity	$974,187

Permanent Financing

Source	Amount
Citibank	$5,883,061
Redwood City - Existing	$359,622
Redwood City - New	$500,000
San Mateo County - Existing	$378,985
San Mateo County - New	$1,000,000
HCD-MHP	$1,102,123
Seller Carryback Loan	$7,734,382
Reserves	$157,051
Income from Operations	$211,382
Sponsor Perm Loan	$800,000
General Partner Contribution	$940,421
Tax Credit Equity	$9,867,611
TOTAL	**$28,934,638**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$13,949,791
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$12,426,771
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$18,134,728
Qualified Basis (Acquisition):	$12,426,771
Applicable Rate:	3.27%
Maximum Annual Federal Credit, Rehabilitation:	$593,006
Maximum Annual Federal Credit, Acquisition:	$406,355
Total Maximum Annual Federal Credit:	$999,361
Approved Developer Fee (in Project Cost & Eligible Basis):	$3,440,421
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	$0.98739

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:	$26,376,562
Actual Eligible Basis:	$26,376,562
Unadjusted Threshold Basis Limit:	$13,885,560
Total Adjusted Threshold Basis Limit:	$28,326,542

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: 42%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 62%

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

The project's true cash cost per unit is $588,896 per unit. The cost is due in part to the geographic location and the fairly extensive scope of the rehabilitation due to the age and condition of the property. Lastly, the relocation costs associated with the project are high at $1,200,000 due to relocation of all 36 units for approximately 7 months in a premium real estate market.

Resyndication and Resyndication Transfer Event

Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-2001-876). To be eligible for a new award of tax credits, the owner must provide documentation with the Form 8609 request (the placed in service submission) that the acquisition date and the placed in service date both occurred after the existing federal 15 year compliance period was completed.

The newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreement and any deeper targeting levels in the new regulatory agreement for the duration of the new regulatory agreement. Existing households determined to be income-qualified for purposes of IRC §42 credit during the 15-year compliance period are concurrently income-qualified households for purposes of the extended use agreement. As a result, any household determined to be income qualified at the time of move-in under the existing regulatory agreement (CA-2001-876) is a qualified low-income household for the subsequent allocation (existing household eligibility is “grandfathered”).

The project is being resyndicated concurrently with a Transfer Event without distribution of Net Project Equity, thus waived from requirements under TCAC Regulation Section 10320(b)(4)(B).

Local Reviewing Agency

The Local Reviewing Agency, The City of Redwood City, 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.
- The project commits to a parking ratio equivalent of 1 parking stall or less per SRO and 1-bedroom restricted rental units, and 1.5 parking stall or less per 2-bedroom and larger restricted rental units.