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

Gravenstein Apartments, located at 699 Gravenstein Highway North in Sebastopol, requested and is being recommended for a reservation of $707,058 in annual federal tax credits to finance the acquisition and rehabilitation of 59 units of housing serving tenants with rents affordable to households earning 20-80% of area median income (AMI). The project will be developed by Burbank Housing Development Corporation and is located in Senate District 2 and Assembly District 10.

The project financing includes state funding from CalHFA and the RCHP program of HCD.

Project Number	CA-18-644		
Project Name	Gravenstein Apartments		
Site Address:	699 Gravenstein Highway North		
	Sebastopol, CA 95472	County:	Sonoma
Census Tract:	1534.31		

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$707,058	$0
Recommended:	$707,058	$0

Applicant Information

Applicant:	Gravenstein Apartments, LP
Contact:	Marianne Lim
Address:	790 Sonoma Avenue Santa Rosa, CA 95404
Phone:	707-303-1006
Email:	mlim@burbankhousing.org

General Partner(s) or Principal Owner(s):	Gravenstein Apartments, LLC Burbank Housing Development Corporation
General Partner Type:	Nonprofit
Parent Company(ies):	Burbank Housing Development Corporation Burbank Housing Development Corporation
Developer:	Burbank Housing Development Corporation
Investor/Consultant:	U.S. Bank Bancorp Community Dev. Corporation
Management Agent:	Burbank Housing Management Corporation

Project Information

Construction Type:	Acquisition & Rehabilitation	
Total # Residential Buildings:	13	
Total # of Units:	60	
No. / % of Low Income Units:	59	100.00%
Federal Set-Aside Elected:	40%/60% Average Income	
Federal Subsidy:	Tax-Exempt / HOME / CDBG	

Bond Information

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

Information

Housing Type:	Non-Targeted
Geographic Area:	Northern Region
TCAC Project Analyst:	Lucy Vang

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
At or Below 20% AMI:	3	5%
At or Below 30% AMI:	5	8%
At or Below 40% AMI:	2	3%
At or Below 50% AMI:	12	20%
At or Below 60% AMI:	26	44%
At or Below 80% AMI:	11	19%

Unit Mix

52	2-Bedroom Units
8	3-Bedroom Units
60	Total Units

Unit Type & Number		2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
3	2 Bedrooms	20%	15%	$327
5	2 Bedrooms	30%	27%	$607
2	2 Bedrooms	40%	36%	$789
11	2 Bedrooms	50%	45%	$1,002
26	2 Bedrooms	60%	54%	$1,202
1	2 Bedrooms	80%	63%	$1,393
1	3 Bedrooms	50%	16%	$418
4	3 Bedrooms	80%	24%	$625
2	3 Bedrooms	80%	34%	$868
1	3 Bedrooms	80%	52%	$1,331
2	2 Bedrooms	80%	45%	$1,002
1	2 Bedrooms	80%	54%	$1,202
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

TCAC-confirmed Projected Lifetime Rent Benefit: $16,997,640

Project Cost Summary at Application	
Land and Acquisition	$10,100,000
Construction Costs	$0
Rehabilitation Costs	$4,796,247
Construction Contingency	$719,437
Relocation	$690,242
Architectural/Engineering	$315,900
Const. Interest, Perm. Financing	$881,707
Legal Fees, Appraisals	$87,000
Reserves	$268,564
Other Costs	$417,711
Developer Fee	$1,893,776
Commercial Costs	$0
Total	**$20,170,584**

Residential	
Construction Cost Per Square Foot:	$99
Per Unit Cost:	$336,176
True Cash Per Unit Cost*:	$248,054

Construction Financing	
Source	Amount
U.S. Bank	$11,012,857
Sonoma County HOME Loan (Existing)	$129,289
Sonoma County CDBG Loan (Existing)	$717,560
Sonoma County CDBG Loan (Existing)	$388,478
HCD RHCP Loan (Existing)	$971,054
Seller Carryback	$4,793,542
Deferred Costs	$1,098,896
GP Capital & Reserves	$261,361
Tax Credit Equity	$797,546

Permanent Financing	
Source	Amount
CalHFA Permanent Loan	$2,640,500
Sonoma County HOME Loan (Existing)	$129,289
Sonoma County CDBG Loan (Existing)	$717,560
Sonoma County CDBG Loan (Existing)	$388,478
HCD RHCP Loan (Existing)	$971,054
Seller Carryback	$4,793,542
Income from Operations	$101,840
General Partner Loan	$2,500,000
Deferred Developer Fee	$493,776
GP Capital & Reserves	$261,361
Tax Credit Equity	$7,173,184
TOTAL	**$20,170,584**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$8,293,309
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$10,939,040
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$10,781,301
Qualified Basis (Acquisition):	$10,939,040
Applicable Rate:	3.27%
Maximum Annual Federal Credit, Rehabilitation:	$349,351
Maximum Annual Federal Credit, Acquisition:	$357,707
Total Maximum Annual Federal Credit:	$707,058
Approved Developer Fee (in Project Cost & Eligible Basis):	$1,893,776
Investor/Consultant:	U.S. Bank Bancorp Community Dev. Corporation
Federal Tax Credit Factor:	$1.01451

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:	$19,232,349
Actual Eligible Basis:	$19,232,349
Unadjusted Threshold Basis Limit:	$25,144,960
Total Adjusted Threshold Basis Limit:	$37,465,990

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: 23%
55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 26%

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: None

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

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 rehabilitation project commits to improve energy efficiency above the modeled energy consumption of the buildings by a 15% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERS II) post rehabilitation.
- The project commits to having at least 1 building subject to a policy developed by the owner that prohibits smoking in contiguous designated units.