CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
January 16, 2019

Heritage Plaza, located at 920-1180 Delta Street and 1825-1875 Benton Drive in Redding, requested and is being recommended for a reservation of $602,852 in annual federal tax credits to finance the acquisition and rehabilitation of 178 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 American Real Estate Ventures, Inc. and is located in Senate District 1 and Assembly District 1.

Heritage Plaza is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Heritage Plaza Apartments (CA-2002-865). 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.

Project Number	CA-19-411	
Project Name	Heritage Plaza	
Site Address:	920-1180 Delta Street and 1825-1875 Benton Drive	
	Redding, CA 96003	County: Shasta
Census Tract:	107.02	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$602,852	$0
Recommended:	$602,852	$0

Applicant Information

Applicant:	Heritage Plaza Redding, L.P.
Contact:	Robert Lawler
Address:	2360-A Folsom Street San Francisco, CA 94110
Phone:	916.996.1109
Email:	robert@amrevinc.com

General Partner(s) or Principal Owner(s):	AMREV Redding, LLC Kingdom Redding, LLC
General Partner Type:	Joint Venture
Parent Company(ies):	American Real Estate Ventures, Inc. Kingdom Development, Inc.
Developer:	American Real Estate Ventures, Inc.
Investor/Consultant:	Boston Capital
Management Agent:	FPI Management, Inc.

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	30
Total # of Units:	180
No. / % of Low Income Units:	178 100.00%
Federal Set-Aside Elected:	40%/60% Average Income
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Contract (59 units - 33%)

Bond Information

Issuer:	CalHFA
Expected Date of Issuance:	February 25, 2019

Information

Housing Type:	Large Family
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 50% AMI:	56	31%
At or Below 60% AMI:	122	69%

Unit Mix

4	SRO/Studio Units
64	1-Bedroom Units
72	2-Bedroom Units
40	3-Bedroom Units
180	Total Units

Unit Type & Number		2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
2	SRO/Studio	50%	50%	$537
2	SRO/Studio	60%	60%	$644
20	1 Bedroom	50%	50%	$576
28	1 Bedroom	60%	60%	$691
16	1 Bedroom	60%	60%	$691
11	2 Bedrooms	50%	50%	$691
11	2 Bedrooms	50%	50%	$691
48	2 Bedrooms	60%	60%	$829
12	3 Bedrooms	50%	50%	$798
28	3 Bedrooms	60%	60%	$958
2	2 Bedrooms	Manager’s Unit	Manager’s Unit	$748

TCAC-confirmed Projected Lifetime Rent Benefit: $19,599,360

Project Cost Summary at Application	
Land and Acquisition	$11,046,300
Construction Costs	$0
Rehabilitation Costs	$4,759,189
Construction Contingency	$512,867
Relocation	$25,000
Architectural/Engineering	$237,450
Const. Interest, Perm. Financing	$1,155,023
Legal Fees, Appraisals	$120,000
Reserves	$935,445
Other Costs	$201,419
Developer Fee	$2,404,677
Commercial Costs	$0
Total	**$21,397,370**

Residential	
Construction Cost Per Square Foot:	$52
Per Unit Cost:	$118,874
True Cash Per Unit Cost*:	$112,061

Construction Financing	
Source	Amount
Citibank	$11,870,000
Seller Credit	$1,100,000
Seller Reserves	$770,000
Operating Income	$703,861
Deferred Fees and Costs	$2,309,677
Tax Credit Equity	$4,643,832

Permanent Financing	
Source	Amount
Citibank - Tranche A	$9,370,000
CalHFA - Tranche B	$2,500,000
Seller Credit	$1,100,000
Seller Reserves	$770,000
Operating Income	$703,861
Deferred Developer Fee	$1,226,409
Tax Credit Equity	$5,727,100
TOTAL	**$21,397,370**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$6,889,332
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	$11,546,529
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$6,889,332
Qualified Basis (Acquisition):	$11,546,529
Applicable Rate:	3.27%
Maximum Annual Federal Credit, Rehabilitation:	$225,281
Maximum Annual Federal Credit, Acquisition:	$377,571
Total Maximum Annual Federal Credit:	$602,852
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,404,677
Investor/Consultant:	Boston Capital
Federal Tax Credit Factor:	$0.95000

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:	$18,435,861
Actual Eligible Basis:	$18,435,861
Unadjusted Threshold Basis Limit:	$55,459,240
Total Adjusted Threshold Basis Limit:	$72,651,604

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: 31%

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: None.

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-2002-865). 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(s) and any deeper targeting levels in the new regulatory agreement(s) for the duration of the new regulatory agreement(s). 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-2002-865) is a qualified low-income household for the subsequent allocation (existing household eligibility is "grandfathered").

The project is a resyndication where the existing regulatory agreement requires service amenities. The project shall provide a similar or greater level of services for a period of at least 15 years under the new regulatory agreement. The project is deemed to have met this requirement based on TCAC staff's review of the commitment in the application. The services documented in the placed in service package will be reviewed by TCAC staff for compliance with this requirement at the time of the placed in service submission.

The project is a resyndication occurring concurrently with a Transfer Event with distribution of Net Project Equity. The rehabilitation scope of work shall include all of the Short Term Work in the amount of $1,208,519. In consideration of the Short Term Work requirement, the seller of the existing property has agreed to sell the property at a lower value of $10,995,000 than the appraised value of $12,900,000 and has also provided a seller credit of $1,100,000 against the purchase price of $10,995,000. As a result of the price reduction and seller credit, the project is allowed to receive eligible basis for the entire Short Term Work amount.

Local Reviewing Agency
The Local Reviewing Agency, City of Redding, 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 provide the tenants with the following service amenities free of charge for a minimum of fifteen (15) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC:

- Instructor-led educational classes, health and wellness or skill-building classes on-site for a minimum of 84 hours per year