CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
March 20, 2019
REVISED

Leisure Terrace Apartments, located at 1638 E Street in Hayward, requested and is being recommended for a reservation of $712,172 in annual federal tax credits to finance the acquisition and rehabilitation of 67 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Reliant Group and is located in Senate District 10 and Assembly District 20.

Project Number	CA-19-452		
Project Name	Leisure Terrace Apartments		
Site Address:	1638 E Street		
	Hayward, CA 94541	County:	Alameda
Census Tract:	4364.01		

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$712,172	$0
Recommended:	$712,172	$0

Applicant Information

Applicant:	Reliant Group Management, LLC
Contact:	TJ Park
Address:	601 California Street, Suite 1150
	San Francisco, CA 94108
Phone:	(415) 813-3833
Email:	tjpark@reliantgroup.com

General Partner(s) or Principal Owner(s):	Gung Ho - East Bay, LLC
	Rainbow - East Bay, LLC
General Partner Type:	Joint Venture
Parent Company(ies):	Reliant Group
	Rainbow Housing Assistance Corporation
Developer:	Reliant Group
Investor/Consultant:	Boston Financial Investment Management
Management Agent:	Reliant Property Management

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	3
Total # of Units:	68
No. / % of Low Income Units:	67 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt

Bond Information

Issuer:	California Public Finance Authority
Expected Date of Issuance:	April 1, 2019

Information

Housing Type:	Non-Targeted
Geographic Area:	East Bay Region
TCAC Project Analyst:	Diane SooHoo

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
50% AMI:	7	10%
60% AMI:	60	90%

Unit Mix

3	SRO/Studio Units
20	1-Bedroom Units
45	2-Bedroom Units
68	Total Units

Unit Type & Number		2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
2	SRO/Studio	60%	60%	$1,221
2	1 Bedroom	60%	60%	$1,308
16	1 Bedroom	60%	60%	$1,308
40	2 Bedrooms	60%	60%	$1,569
2	1 Bedroom	50%	50%	$1,090
4	2 Bedrooms	50%	50%	$1,307
1	SRO/Studio	50%	50%	$1,017
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$2,404

Project Cost Summary at Application	
Land and Acquisition	$15,096,239
Construction Costs	$0
Rehabilitation Costs	$4,186,989
Construction Hard Cost Contingency	$375,165
Soft Cost Contingency	$35,000
Relocation	$23,155
Architectural/Engineering	$133,500
Const. Interest, Perm. Financing	$1,824,528
Legal Fees	$96,500
Reserves	$264,381
Other Costs	$207,156
Developer Fee	$2,661,581
Commercial Costs	$0
Total	**$24,904,194**

Residential	
Construction Cost Per Square Foot:	$72
Per Unit Cost:	$366,238
True Cash Per Unit Cost*:	$332,621

Construction Financing

Source	Amount
Citibank, N.A.	$12,230,000
Reliant CAP IX Series B TE Bonds	$2,750,000
Cash Flow from Operations	$802,056
Tax Credit Equity	$6,494,360
Deferred Developer Fee	$2,627,778

Permanent Financing

Source	Amount
Citibank, N.A.	$12,230,000
Reliant CAP IX Series B TE Bonc	$2,750,000
Cash Flow from Operations	$802,056
Deferred Developer Fee	$2,285,970
Tax Credit Equity	$6,836,168
TOTAL	**$24,904,194**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$5,767,782
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$14,435,651
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$7,498,117
Qualified Basis (Acquisition):	$14,435,651
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	$235,796
Maximum Annual Federal Credit, Acquisition:	$476,376
Total Maximum Annual Federal Credit:	$712,172
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,661,581
Investor/Consultant:	Boston Financial Investment Management
Federal Tax Credit Factor:	$0.95990

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:	$20,203,433
Actual Eligible Basis:	$20,203,433
Unadjusted Threshold Basis Limit:	$26,922,518
Total Adjusted Threshold Basis Limit:	$29,614,770

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: 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. Current annual operating expenses meet the 2018 operating expenses minimums **(see Significant Information / Additional Conditions below for additional information)** and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 3.30% 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 proposed rents do not include any utility allowance. The owner will pay for all utilities.

TCAC has agreed to allow the project at initial application to use 2018 Operating Cost per Unit minimums for underwriting. For the placed in service review the project shall be held to 2019 Operating Cost per Unit minimums.

The project is anticipated to be a 100% tax credit project, but potentially has over-income tenants that do not meet TCAC income limit requirements and will not qualify for the AMI targeting above. If tenants are over income, the applicant will endeavor to have these tenants relocate so that when it places in service as CA-19-452 will be a 100% tax credit project. However, if any of these tenants do not relocate, the project's actual applicable fraction will be determined at the placed-in-service review.

Resyndication and Resyndication Transfer Event: None

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: None