

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report Tax-Exempt Bond Project March 20, 2019

Willow Glen Apartments, located at 1231 Willow Avenue in Hercules, requested and is being recommended for a reservation of \$916,034 in annual federal tax credits to finance the acquisition and rehabilitation of 83 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 9 and Assembly District 15.

Project Number CA-19-454

Project Name Willow Glen Apartments
Site Address: 1231 Willow Avenue
Hercules, CA 94547 County: Contra Costa
Census Tract: 3560.01

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$916,034	\$0
Recommended:	\$916,034	\$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, Inc.
Developer: Reliant Group
Investor/Consultant: Boston Financial Investment Management
Management Agent: Reliant Property Management

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 8
Total # of Units: 84
No. / % of Low Income Units: 83 100.00%
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: Tiffani Negrete

55-Year Use / Affordability

Aggregate Targeting Number of Units	Percentage of Affordable Units
50% AMI: 9	11%
60% AMI: 74	89%

Unit Mix

84 2-Bedroom Units
84 Total Units

Unit Type & Number	2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
74 2 Bedrooms	60%	60%	\$1,569
9 2 Bedrooms	50%	50%	\$1,307
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$2,323

Project Cost Summary at Application

Land and Acquisition	\$19,580,997
Construction Costs	\$0
Rehabilitation Costs	\$3,447,673
Construction Hard Cost Contingency	\$341,481
Soft Cost Contingency	\$35,000
Relocation	\$27,280
Architectural/Engineering	\$133,500
Const. Interest, Perm. Financing	\$2,185,547
Legal Fees	\$96,833
Reserves	\$332,300
Other Costs	\$218,980
Developer Fee	\$3,425,120
Commercial Costs	\$0
Total	\$29,824,711

Residential

Construction Cost Per Square Foot:	\$50
Per Unit Cost:	\$355,056
True Cash Per Unit Cost*:	\$339,284

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Citibank, N.A. - T.E. Bonds	\$15,630,000	Citibank, N.A. - T.E. Bonds	\$15,630,000
Reliant Cap IX LLC - T.E. Bonds	\$3,000,000	Reliant Cap IX LLC - T.E. Bonds	\$3,000,000
Operating Income	\$1,076,805	Operating Income	\$1,076,805
Deferred Developer Fee	\$1,764,511	Deferred Developer Fee	\$1,324,859
Tax Credit Equity	\$8,353,395	Tax Credit Equity	\$8,793,047
		TOTAL	\$29,824,711

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$5,115,705
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$21,108,194
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$6,650,417
Qualified Basis (Acquisition):	\$21,108,194
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$219,464
Maximum Annual Federal Credit, Acquisition:	\$696,570
Total Maximum Annual Federal Credit:	\$916,034
Approved Developer Fee (in Project Cost & Eligible Basis):	\$3,425,120
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:	\$26,223,899
Actual Eligible Basis:	\$26,223,899
Unadjusted Threshold Basis Limit:	\$36,556,800
Total Adjusted Threshold Basis Limit:	\$40,212,480

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. Annual operating expenses are below the minimum operating expenses established in the Regulations but meet the 2018 operating expense minimums (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 3.30% 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 applicant's estimate for annual operating expenses per unit is below the \$6,200 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, which is no more than 15% below the TCAC published minimum, with agreement from the permanent lender and equity investor. For the placed in service review the applicant must calculate the 15% reduction using the 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-19-454 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

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 building(s) by a 15% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERS II) post rehabilitation.