CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 15, 2019

Courtyards at Penn Valley, located at 10533 Broken Oak Court in Penn Valley, requested and is being recommended for a reservation of $285,288 in annual federal tax credits to finance the acquisition and rehabilitation of 41 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 Alliance Property Group Inc. and is located in Senate District 1 and Assembly District 1.

Courtyards at Penn Valley is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Courtyards at Penn Valley (CA-2001-914). 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 Vouchers.

Project Number CA-19-460

Project Name Courtyards at Penn Valley
Site Address: 10533 Broken Oak Court
Penn Valley, CA 95946 County: Nevada
Census Tract: 4.02

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$285,288	$0
Recommended:	$285,288	$0

Applicant Information
Applicant: Alliance Property Group Inc.
Contact: Danielle Curls Bennett
Address: 1730 East Holly Avenue, Suite 327
El Segundo, CA 90245
Phone: (424) 369-4570
Email: dcurlsbennett@apg-dev.com

General Partner(s) or Principal Owner(s): Penn Valley 2 GP, LLC
Nevada County Housing Development Corporation
General Partner Type: Joint Venture
Parent Company(ies): Alliance Property Group Inc.
Nevada County Housing Development Corporation
Developer: Alliance Property Group Inc.
Investor/Consultant: Hunt Capital Partners, LLC
Management Agent: FPI Management

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 11
Total # of Units: 42
No. / % of Low Income Units: 41 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (15 Units - 37%)

Bond Information

Issuer: California Statewide Communities Development
Expected Date of Issuance: July 1, 2019

Information

Housing Type: Large Family
Geographic Area: Rural Region
TCAC Project Analyst: Tiffani Negrete

55-Year Use / Affordability

Aggregate Targeting	Number of Units	Percentage of Affordable Units
50% AMI:	5	12%
60% AMI:	36	88%

Unit Mix

16	2-Bedroom Units
26	3-Bedroom Units
42	Total Units

Unit Type & Number		2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income*	Proposed Rent (including utilities)
2	2 Bedrooms	50%	50%	$863
6	2 Bedrooms	60%	60%	$1,035
8	2 Bedrooms	60%	60%	$1,035
3	3 Bedrooms	50%	50%	$997
7	3 Bedrooms	60%	60%	$1,196
15	3 Bedrooms	60%	60%	$1,196
1	3 Bedrooms	Manager’s Unit**	Manager’s Unit	$1,054

* Hold harmless rent limits are in effect, see "**Resyndication**" section below.

** The project has one non-restricted manager unit and one restricted unit for income-qualified staff maintenance personnel).

Project Cost Summary at Application

Land and Acquisition	$4,100,000
Rehabilitation Costs	$2,087,736
Construction Hard Cost Contingency	$208,774
Soft Cost Contingency	$26,106
Relocation	$36,000
Architectural/Engineering	$124,387
Const. Interest, Perm. Financing	$839,598
Legal Fees	$105,000
Reserves	$290,000
Other Costs	$98,396
Developer Fee	$997,566
Commercial Costs	$0
Total	**$8,913,563**

Residential

Construction Cost Per Square Foot:	$40
Per Unit Cost:	$212,228

Construction Financing

Source	Amount
Bonneville - T.E. Bonds	$4,000,000
Hunt Capital - T.E. Bonds	$500,000
HCD Loan (Assumed)	$1,379,929
Seller Carryback	$425,000
NCHDC Loan**	$195,000
Hunt Capital Loan	$1,025,000
Existing Reserves	$50,000
Deferred Costs	$898,634
Tax Credit Equity	$440,000

Permanent Financing

Source	Amount
Bonneville - T.E. Bonds	$4,000,000
HCD Loan (Assumed)	$1,379,929
Seller Carryback	$425,000
NCHDC Loan**	$195,000
Operating Income	$250,000
Existing Reserves	$50,000
Deferred Developer Fee	$68,863
Tax Credit Equity	$2,544,771
TOTAL	**$8,913,563**

*Less Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee
**Nevada County Housing Development Corporation Loan

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$3,335,504
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$4,312,500
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$4,336,155
Qualified Basis (Acquisition):	$4,312,500
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	$143,093
Maximum Annual Federal Credit, Acquisition:	$142,195
Total Maximum Annual Federal Credit:	$285,288
Approved Developer Fee (in Project Cost & Eligible Basis):	$997,566
Investor/Consultant:	Hunt Capital Partners, LLC
Federal Tax Credit Factor:	$0.89200

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:	$7,648,004
Actual Eligible Basis:	$7,648,004
Unadjusted Threshold Basis Limit:	$16,282,112
Total Adjusted Threshold Basis Limit:	$18,235,965

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: 12%

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 or 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 3.30% 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. 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-2001-914). 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.

As required by the IRS, the newly resyndicated project will continue to use the originally assigned Building Identification Numbers (BINs).

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-2001-914) is a qualified low-income household for the subsequent allocation (existing household eligibility is "grandfathered").

The project is a resyndication subject to the hold harmless rent limits. The applicant requested and is approved to underwrite the project at the hold harmless rent limits based on 2004, the year in which the existing TCAC projects were originally placed-in-service. The new regulatory agreement shall reflect the current tax credit rent limits, while the project may continue to charge the hold harmless rents for 5 units at or below 50% AMI and 36 units at or below 60% AMI, provided that such hold harmless rents do not exceed the current tax credit rent limit for 60% AMI, only until such time as the current tax credit rent limits equal or exceed the hold harmless rents.

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

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.