

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

Blackstone & McKinley TOD, located at 1501 North Blackstone Avenue in Fresno, requested and is being recommended for a reservation of \$1,318,133 in annual federal tax credits to finance the new construction of 87 units of housing serving large families with rents affordable to households earning 30%-60% of area median income (AMI). The project will be developed by Corporation for Better Housing and will be located in Senate District 14 and Assembly District 31.

The project financing includes state funding from the AHSC program of HCD.

Project Number CA-19-463

Project Name Blackstone & McKinley TOD
 Site Address: 1501 North Blackstone Avenue
 Fresno, CA 93703 County: Fresno
 Census Tract: 24.00

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,318,133	\$0
Recommended:	\$1,318,133	\$0

Applicant Information

Applicant: 1501 N. Blackstone Ave., L.P.
 Contact: Lori Koester
 Address: 21031 Ventura Blvd., Suite 200
 Woodland Hills, CA 91364
 Phone: (818) 905-2430
 Email: lkoester@corpoffices.org

General Partner(s) or Principal Owner(s): Corporation for Better Housing
 General Partner Type: Nonprofit
 Parent Company(ies): Corporation for Better Housing
 Corporation for Better Housing
 Developer: Corporation for Better Housing
 Investor/Consultant: Alliant Capital, Ltd.
 Management Agent: WinnResidential

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 88
 No. / % of Low Income Units: 87 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt
 Utility Allowance: CUAC

Bond Information

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

Information

Housing Type: Large Family
 Geographic Area: Central Valley Region
 TCAC Project Analyst: Pavlos Mayakis

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
35% AMI: 18	21%
50% AMI: 35	40%
60% AMI: 34	39%

Unit Mix

27 1-Bedroom Units
30 2-Bedroom Units
31 3-Bedroom Units
<u>88 Total Units</u>

<u>Unit Type & Number</u>	<u>2018 Rents Targeted % of Area Median Income</u>	<u>2018 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
5 1 Bedroom	30%	30%	\$336
10 1 Bedroom	50%	50%	\$560
12 1 Bedroom	60%	60%	\$672
6 2 Bedrooms	30%	30%	\$403
12 2 Bedrooms	50%	50%	\$672
11 2 Bedrooms	60%	60%	\$807
7 3 Bedrooms	30%	30%	\$465
13 3 Bedrooms	50%	50%	\$776
11 3 Bedrooms	60%	60%	\$931
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$2,100,000
Construction Costs	\$23,023,846
Construction Hard Cost Contingency	\$1,151,192
Soft Cost Contingency	\$376,255
Relocation	\$829,500
Architectural/Engineering	\$686,795
Const. Interest, Perm. Financing	\$2,742,698
Legal Fees	\$254,930
Reserves	\$309,548
Other Costs	\$1,197,597
Developer Fee	\$3,500,000
Commercial Costs	\$1,637,935
Total	\$37,810,296

Residential

Construction Cost Per Square Foot:	\$291
Per Unit Cost:	\$409,049
True Cash Per Unit Cost*:	\$377,652

Construction Financing

Source	Amount
Pacific Western Bank - Tax-Exempt	\$29,050,000
Pacific Western Bank -Taxable	\$1,760,000
Waived Impact Fees	\$329,065
Tax Credit Equity	\$3,445,606

Permanent Financing

Source	Amount
CalHFA	\$1,835,000
CalHFA - Residual Receipts	\$1,760,000
HCD-AHSC Loan	\$12,600,000
City Housing Successor Agency	\$2,200,000
City of Fresno	\$500,000
SJVAPCD**	\$1,843,572
Waived Impact Fees	\$329,065
Deferred Developer Fee	\$2,902,206
Solar Equity	\$527,314
Tax Credit Equity	\$13,313,139
TOTAL	\$37,810,296

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

**San Joaquin Valley Air Pollution Control District

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$30,729,317
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$39,948,112
Applicable Rate:	3.30%
Total Maximum Annual Federal Credit:	\$1,318,133
Approved Developer Fee in Project Cost:	\$3,500,000
Approved Developer Fee in Eligible Basis:	\$3,323,977
Investor/Consultant:	Alliant Capital, Ltd.
Federal Tax Credit Factor:	\$1.01000

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:	\$30,729,317
Actual Eligible Basis:	\$30,729,317
Unadjusted Threshold Basis Limit:	\$30,417,626
Total Adjusted Threshold Basis Limit:	\$54,751,727

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: 40%
 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 40%

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: 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