

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2019 First Round

June 12, 2019

The Gardens at Quail Run, located at Quail Run Lane & Bruceville Road in Elk Grove, requested and is being recommended for a reservation of \$2,039,007 in annual federal tax credits to finance the new construction of 95 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 Pacific West Communities, Inc. and will be located in Senate District 6 and Assembly District 9.

Project Number CA-19-048

Project Name The Gardens at Quail Run
Site Address: Quail Run Lane & Bruceville Road
Elk Grove, CA 95757 County: Sacramento
Census Tract: 96.370

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,039,007	\$0
Recommended:	\$2,039,007	\$0

Applicant Information

Applicant: Elk Grove Pacific Associates IV, a California Limited Partnership
Contact: Caleb Roope
Address: 430 E. State Street, Suite 100
Eagle, ID 83616
Phone: 208.461.0022
Email: calebr@tpchousing.com

General Partner(s) / Principal Owner(s): TPC Holdings VII, LLC
Kelley Ventures, LLC
Pacific Housing, Inc.
General Partner Type: Joint Venture
Parent Company(ies): The Pacific Companies
Kelley Ventures, LLC
Pacific Housing, Inc.
Developer: Pacific West Communities, Inc.
Investor/Consultant: Boston Capital
Management Agent(s): Aperto Property Management

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 4
 Total # of Units: 96
 No. & % of Tax Credit Units: 95 100%
 Federal Set-Aside Elected: 40%/60%

Information

Housing Type: Large Family
 Geographic Area: Capital Region
 TCAC Project Analyst: Marlene McDonough

55-Year Use / Affordability

<u>Aggregate Targeting</u>	<u>Number of</u>	<u>Percentage of</u>
<u>Units</u>	<u>Units</u>	<u>Affordable Units</u>
At or Below 30% AMI:	10	10%
At or Below 40% AMI:	15	15%
At or Below 50% AMI:	38	40%
At or Below 60% AMI:	32	30%

Unit Mix

12 1-Bedroom Units
60 2-Bedroom Units
24 3-BedroomUnits
<u>96 Total Units</u>

<u>Unit Type & Number</u>	<u>2018 Rents Targeted</u>	<u>2018 Rents Actual %</u>	<u>Proposed</u>
	<u>% of Area Median</u>	<u>of Area Median</u>	<u>Rent</u>
	<u>Income</u>	<u>Income</u>	<u>(including</u>
			<u>utilities)</u>
1 1 Bedroom	30%	30%	\$450
2 1 Bedroom	40%	40%	\$601
5 1 Bedroom	50%	50%	\$751
4 1 Bedroom	60%	60%	\$901
6 2 Bedrooms	30%	30%	\$540
9 2 Bedrooms	40%	40%	\$721
24 2 Bedrooms	50%	50%	\$901
20 2 Bedrooms	60%	60%	\$1,081
3 3 Bedrooms	30%	30%	\$625
4 3 Bedrooms	40%	40%	\$833
9 3 Bedrooms	50%	50%	\$1,041
8 3 Bedrooms	60%	60%	\$1,250
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,446,856
Construction Costs	\$16,678,092
Rehabilitation Costs	\$0
Construction Contingency	\$1,100,000
Relocation	\$0
Architectural/Engineering	\$745,000
Const. Interest, Perm. Financing	\$981,300
Legal Fees	\$60,000
Reserves	\$310,555
Other Costs	\$4,838,306
Developer Fee	\$2,200,000
Commercial Costs	\$0
Total	\$28,360,109

Residential

Construction Cost Per Square Foot:	\$203
Per Unit Cost:	\$295,418
True Cash Per Unit Cost*:	\$282,885

Construction Financing

<u>Source</u>	<u>Amount</u>
Boston Capital Finance	\$15,895,036
City of Elk Grove - AHF	\$5,000,000
County of Sacramento - Waiver	\$1,203,120
Deferred Costs	\$310,555
Deferred Developer Fee	\$2,200,000
Tax Credit Equity	\$3,751,398

Permanent Financing

<u>Source</u>	<u>Amount</u>
Boston Capital Finance	\$3,400,000
City of Elk Grove - AHF	\$5,000,000
County of Sacramento - Waiver	\$1,203,120
Tax Credit Equity	\$18,756,989
TOTAL	\$28,360,109

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$17,427,407
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$22,655,629
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,039,007
Approved Developer Fee in Project Cost:	\$2,200,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	Boston Capital
Federal Tax Credit Factor:	\$0.91991

The “as if vacant” land value and the existing improvement value established at application, 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, unless a waiver has been granted for a purchase price not to exceed the sum of third party debt that will be assumed or paid off. 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:	\$17,427,407
Actual Eligible Basis:	\$25,947,407
Unadjusted Threshold Basis Limit:	\$29,072,916
Total Adjusted Threshold Basis Limit:	\$35,044,177

Adjustments to Basis Limit

- Local Development Impact Fees
- Highest or High Resource Opportunity Area

Tie-Breaker Information

First:	Large Family
Final:	58.622%

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 9.0% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.30%. Applicants are cautioned to consider the expected federal rate when negotiating with investors. TCAC’s financial evaluation at project completion will determine the final

Significant Information / Additional Conditions

Services shall be provided at the site for 15 years. The project owner must obtain TCAC approval to move any se

Resyndication and Resyndication Transfer Event: None

Legal Status

Staff has reviewed the Applicant’s responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

Local Reviewing Agency

The Local Reviewing Agency, The City of Elk Grove, has completed a site review of this project and strongly supports this project.

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

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 performance deposit and allocation 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.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of fifteen years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(5) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

Points System	Max. Possible Points	Requested Points	Points Awarded
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ¼ mile of transit (van or dial-a-ride service for rural set-aside)	4	4	4
Within ½ mile of public park or community center open to general public	3	3	3
Within 1½ miles of a full-scale grocery/supermarket of at least 25,000 sf	3	3	3
Franklin High School	3	3	3
Within ½ mile of a pharmacy	2	2	2
Highest or High Resources Area	8	8	8
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	7	7	7
Health & wellness services and programs, minimum 60 hrs per 100 bdrms	3	3	3
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements: GreenPoint Rated Program	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
Readiness to Proceed	10	10	10
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Enhanced Accessibility and Visitability	2	0	2
Total Points	113	113	113

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.