

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2019 First Round

June 12, 2019

Kristen Court Apartments II, located at 9027 N Street in Live Oak, requested and is being recommended for a reservation of \$298,767 in annual federal tax credits and \$1,176,961 in total state tax credits to finance the new construction of 24 units of housing serving large families with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by Pacific West Communities, Inc. and will be located in Senate District 4 and Assembly District 3.

Project Number CA-19-703

Project Name Kristen Court Apartments II

Site Address: 9027 N Street
Live Oak, CA 95953 County: Sutter

Census Tract: 507.020

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$298,767	\$1,176,961
Recommended:	\$298,767	\$1,176,961

* The applicant made an irrevocable election to sell (Certificate) all or any portion of the state credits.

Applicant Information

Applicant: Sutter Community Affordable Housing
Contact: Brynda Stranix
Address: 1455 Butte House Road
Yuba City, CA 95993
Phone: (530) 671-0220
Email: bstranix@ysedc.org

General Partner(s) / Principal Owner(s): TPC Holdings V, LLC
Sutter Community Affordable Housing

General Partner Type: Joint Venture

Parent Company(ies): TPC Holdings V, LLC
Sutter Community Affordable Housing

Developer: Pacific West Communities, Inc.

Investor/Consultant: City Real Estate Advisors, Inc.

Management Agent: Aperto Property Management, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 3
 Total # of Units: 24
 No. / % of Low Income Units: 24 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt
 Utility Allowance: CUAC

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: July 1, 2019

Information

Set-Aside: N/A
 Housing Type: Large Family
 Geographic Area: Capital Region
 TCAC Project Analyst: Tiffani Negrete

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
At or Below 30% AMI: 3	10%
At or Below 40% AMI: 6	25%
At or Below 50% AMI (Rural) 15	50%

Unit Mix

12 2-Bedroom Units
12 3-Bedroom Units
24 Total Units

<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>
1 2 Bedrooms	30%	30%	\$405
4 2 Bedrooms	40%	40%	\$540
7 2 Bedrooms	50%	50%	\$675
2 3 Bedrooms	30%	30%	\$468
2 3 Bedrooms	40%	40%	\$624
8 3 Bedrooms	50%	50%	\$780

Project Cost Summary at Application

Land and Acquisition	\$240,000
Construction Costs	\$6,253,832
Rehabilitation Costs	\$0
Contingency Costs	\$410,000
Relocation	\$0
Architectural/Engineering	\$345,000
Const. Interest, Perm. Financing	\$515,750
Legal Fees	\$70,000
Reserves	\$75,386
Other Costs	\$834,506
Developer Fee	\$870,382
Commercial Costs	\$0
Total	\$9,614,856

Residential

Construction Cost Per Square Foot:	\$276
Per Unit Cost:	\$400,619
True Cash Per Unit Cost*:	\$373,119

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Rabobank, N.A.	\$5,500,000	TPC Insurance Services Inc.	\$450,000
City of Live Oak - HOME	\$2,500,000	City of Live Oak - HOME	\$4,500,000
Seller Carryback	\$240,000	Seller Carryback	\$240,000
Deferred Contractor Fee	\$315,000	Deferred Contractor Fee	\$315,000
Deferred Costs	\$75,386	Deferred Developer Fee	\$420,000
Deferred Developer Fee	\$870,382	Tax Credit Equity	\$3,689,856
Tax Credit Equity	\$114,088	TOTAL	\$9,614,856

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$9,053,547
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$9,053,547
Applicable Rate:	3.30%
Total Maximum Annual Federal Credit:	\$298,767
Total State Credit:	\$1,176,961
Approved Developer Fee (in Project Cost & Eligible Basis):	\$870,382
Investor/Consultant:	City Real Estate Advisors, Inc.
Federal Tax Credit Factor:	\$0.91991
State Tax Credit Factor:	\$0.79992

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:	\$9,053,547
Actual Eligible Basis:	\$9,053,547
Unadjusted Threshold Basis Limit:	\$9,039,744
Total Adjusted Threshold Basis Limit:	\$22,404,366

Adjustments to Basis Limit:

- Required to Pay State or Federal Prevailing Wages
- Local Development Impact Fees
- Highest or High Resource Opportunity Area
- 55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 87%
- 55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 24%

Tie-Breaker Information

Final: N/A

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

This 24-unit project is the second phase built adjacent to the existing tax credit family project, Kristen Court Apartments (CA-15-060). The projects will share the community facilities of phase I, CA-15-060. The manager's unit for both projects is located in phase I. All units in Kristen Court Apartments II will have access to a community building and common site amenities including the property management, community room, laundry facilities, computer lab, picnic area, and playground. Prior to tenant leasing at Kristen Court Apartments II, all necessary agreements shall be in place to ensure that both projects have property management and access to the community facilities and common site amenities. A Joint Use Agreement must be provided in the placed in service submission.

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 has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

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.

The applicant must submit all documentation required for any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation.

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 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.

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.

CDLAC Additional Conditions: None

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 ½ mile of transit (van or dial-a-ride service for rural set-aside)	4	4	4
Within 1 mile of public park or community center open to general public	3	3	3
Within 1 mile of a neighborhood market of at least 5,000 sf	3	3	3
Within 1.5 miles of a public high school project children may attend	3	3	3
Within 1 mile of medical clinic or hospital	3	3	3
Within 1 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 units @ 30% AMI or less	2	2	2
Readiness to Proceed	10	10	10
Total Points	111	111	111

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.