CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 17, 2019

Longshore Cove Apartments, located at 201 Maine Street in Vallejo, requested and is being recommended for a reservation of $3,077,154 in annual federal tax credits to finance the acquisition and rehabilitation of 234 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Solano Affordable Housing Foundation and is located in Senate District 3 and Assembly District 14.

Longshore Cove Apartments is a re-syndication of existing Low Income Housing Tax Credit (LIHTC) projects, Marina Vista I (CA-98-977) and Marina Vista II (CA-98-978). 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 Contracts.

Project Number CA-19-498

Project Name Longshore Cove Apartments
Site Address: 201 Maine Street
Vallejo, CA 94590 County: Solano
Census Tract: 2509.00

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$3,077,154	$0
Recommended:	$3,077,154	$0

Applicant Information

Applicant:	Longshore Cove, L.P
Contact:	Don Harris
Address:	1411 Oliver Road Fairfield, CA 94532
Phone:	707.422.5919
Email:	donh@solanohousing.org

General Partner(s) or Principal Owner(s):	Solano Vallejo Housing, LLC
General Partner Type:	Nonprofit
Parent Company(ies):	Solano Affordable Housing Foundation
Developer:	Solano Affordable Housing Foundation
Investor/Consultant:	RBC Capital Markets
Management Agent:	John Stewart Company

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	19
Total # of Units:	236
No. / % of Low Income Units:	234 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Contracts (150 units - 64%)

Bond Information

Issuer:	CalHFA
Expected Date of Issuance:	July 17, 2020

Information

Housing Type:	Non-Targeted
Geographic Area:	Northern Region
TCAC Project Analyst:	Diane SooHoo

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
50% AMI:	150	64%
60% AMI:	84	36%

Unit Mix

40	1-Bedroom Units
128	2-Bedroom Units
68	3-Bedroom Units
236	Total Units

Unit Type & Number		2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
11	1 Bedroom	60%	53%	$827
29	1 Bedroom	50%	50%	$785
23	2 Bedrooms	60%	50%	$945
49	2 Bedrooms	50%	50%	$942
14	3 Bedrooms	60%	47%	$1,033
21	3 Bedrooms	50%	50%	$1,088
20	2 Bedrooms	60%	47%	$882
35	2 Bedrooms	50%	50%	$942
16	3 Bedrooms	60%	51%	$1,114
16	3 Bedrooms	50%	50%	$1,088
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$0
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application	
Land and Acquisition	$46,000,000
Construction Costs	$0
Rehabilitation Costs	$18,765,505
Construction Hard Cost Contingency	$2,744,434
Soft Cost Contingency	$700,000
Relocation	$5,345,000
Architectural/Engineering	$600,000
Const. Interest, Perm. Financing	$6,487,708
Legal Fees	$300,000
Reserves	$1,954,137
Other Costs	$780,699
Developer Fee	$10,776,165
Commercial Costs	$0
Total	**$94,453,648**

Residential	
Construction Cost Per Square Foot:	$98
Per Unit Cost:	$400,227
True Cash Per Unit Cost*:	$280,861

Construction Financing

Source	Amount
Red Capital - Fannie Mae	$34,250,538
Seller Carryback Bridge Loan	$9,749,462
Seller Carryback Loan	$22,119,848
Seller Replacement Reserves	$1,170,000
Operating Income	$444,969
Deferred Costs	$13,842,229
Tax Credit Equity	$12,876,602

Permanent Financing

Source	Amount
Red Capital - Fannie Mae	$34,250,538
Seller Carryback Loan	$21,234,310
Seller Replacement Reserves	$1,170,000
Operating Income	$726,609
Deferred Developer Fee	$6,936,164
General Partner Equity	$1,521,356
Tax Credit Equity	$28,614,670
TOTAL	**$94,453,648**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$35,432,768
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$47,184,500
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$46,062,598
Qualified Basis (Acquisition):	$47,184,500
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	$1,520,066
Maximum Annual Federal Credit, Acquisition:	$1,557,088
Total Maximum Annual Federal Credit:	$3,077,154
Approved Developer Fee (in Project Cost & Eligible Basis):	$10,776,165
Investor/Consultant:	RBC Capital Markets
Federal Tax Credit Factor:	$0.92991

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:	$82,617,267
Actual Eligible Basis:	$82,617,267
Unadjusted Threshold Basis Limit:	$101,265,600
Total Adjusted Threshold Basis Limit:	$166,075,584

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: 64%

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
The project is utilizing two different utility allowance schedules. Eighty-seven units are subject to the utility allowance of the Marina Vista I HAP contract (55 two bedrooms and 32 three-bedrooms) and 147 units are subject to the utility allowance of the Marina Vista II HAP contract (40 one-bedrooms, 72 two-bedrooms, and 35 three-bedroom).

The applicant has demonstrated impractically and/or undue financial burden of full compliance to the requirements of Section 10325(f)(7)(K) and has been granted a partial waiver such that the project shall provide 5% of units meeting the Chapter 11(B) mobility standards. The project shall continue to provide 4% of units with communications accessible features in compliance with Chapter 11(B).

The reservation of tax credits is contingent upon verification by HUD of the contract renewal amounts within 90 days of the date of reservation.

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 Agreements (CA-98-977) and (CA-98-978). 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. For resyndications that were originally rehabilitation and acquisition, the resyndication acquisition date cannot occur before the last rehabilitation credit year of the original credit period.

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 agreements (CA-98-977) and (CA-98-978) is a qualified low-income household for the subsequent allocation (existing household eligibility is "grandfathered").

The project is a resyndication concurrent with a Transfer Event with distribution of Net Project Equity. The rehabilitation scope of work shall include all of the Short Term Work in the amount of $1,521,356. There is a general partner equity contribution of at least $1,521,356 allowing the applicant to receive eligible basis for the entire Short Term Work amount.

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.

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 comply with the CDLAC Resolution. At the time of the TCAC placed in service review, TCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.