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

Charter Oaks Apartments, located at 3025 Browns Valley Road in Napa, requested and is being recommended for a reservation of $1,514,688 in annual federal tax credits to finance the acquisition and rehabilitation of 74 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Bayside Communities LLC and is located in Senate District 3 and Assembly District 4.

Charter Oaks Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Charter Oaks Apartments (CA-2001-834). See **Resyndication and Resyndication Transfer Event** below for additional information. The project will be receiving rental assistance in the form of a HUD Section 8 Project-based Contract.

Project Number	CA-19-504	
Project Name	Charter Oaks Apartments	
Site Address:	3025 Browns Valley Road	
	Napa, CA 94558	County: Napa
Census Tract:	2008.03	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,514,688	$0
Recommended:	$1,514,688	$0

Applicant Information

Applicant:	Charter Oaks Apartments II, LP
Contact:	Natalia Williams
Address:	1990 N. California Blvd., Suite 1070 Walnut Creek, CA 94596
Phone:	(925) 482-9430
Email:	nwilliams@baysidecommunities.com

General Partner(s) or Principal Owner(s):	Bayside Charter Oaks II, LLC Community Resident Service, Inc.
General Partner Type:	Joint Venture
Parent Company(ies):	Bayside Communities, LLC Community Resident Service, Inc.
Developer:	Bayside Communities LLC
Investor/Consultant:	R4 Capital LLC
Management Agent:	FPI Management, Inc.

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	9
Total # of Units:	75
No. / % of Low Income Units:	74 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Contract (74 units - 100%)

Bond Information

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

Information

Housing Type:	Non-Targeted
Geographic Area:	Northern Region
TCAC Project Analyst:	Tiffani Negrete

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
50% AMI:	31	42%
60% AMI:	43	58%

Unit Mix

15	1-Bedroom Units
44	2-Bedroom Units
16	3-Bedroom Units
75	Total Units

Unit Type & Number		2018 Rents Targeted % of Area Median Income	2018 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
6	1 Bedroom	50%	50%	$860
9	1 Bedroom	60%	60%	$1,032
18	2 Bedrooms	50%	50%	$1,023
26	2 Bedrooms	60%	60%	$1,230
7	3 Bedrooms	50%	50%	$1,186
8	3 Bedrooms	60%	60%	$1,433
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$2,600

Project Cost Summary at Application	
Land and Acquisition	$29,800,000
Construction Costs	$0
Rehabilitation Costs	$8,031,853
Construction Hard Cost Contingency	$803,185
Soft Cost Contingency	$72,525
Relocation	$700,000
Architectural/Engineering	$225,000
Const. Interest, Perm. Financing	$932,890
Legal Fees	$284,500
Reserves	$422,500
Other Costs	$516,297
Developer Fee	$5,805,173
Commercial Costs	$0
Total	**$47,593,923**

Residential	
Construction Cost Per Square Foot:	$133
Per Unit Cost:	$634,586
True Cash Per Unit Cost*:	$590,517

Construction Financing

Source	Amount
Citibank - T.E. Bonds	$32,000,000
Seller Loan - T.E. Bonds	$10,100,000
Operating Income	$300,000
Contributed Developer Fee	$385,750
Tax Credit Equity	$1,103,000

Permanent Financing

Source	Amount
Citibank - T.E. Bonds	$18,869,200
Seller Loan - T.E. Bonds	$10,100,000
Operating Income	$300,000
Contributed Developer Fee	$385,750
Deferred Developer Fee	$3,305,173
Short Term Work Reserve	$92,800
Tax Credit Equity	$14,541,000
TOTAL	**$47,593,923**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$12,449,747
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$31,578,027
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$16,184,671
Qualified Basis (Acquisition):	$31,578,027
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	$472,613
Maximum Annual Federal Credit, Acquisition:	$1,042,075
Total Maximum Annual Federal Credit:	$1,514,688
Approved Developer Fee (in Project Cost & Eligible Basis):	$5,805,173
Investor/Consultant:	R4 Capital LLC
Federal Tax Credit Factor:	$0.96000

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:	$44,027,774
Actual Eligible Basis:	$44,120,574
Unadjusted Threshold Basis Limit:	$31,381,320
Total Adjusted Threshold Basis Limit:	$44,247,661

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: 41%

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 applicant has requested and been granted a waiver to reduce the 10% mobility feature requirement under TCAC Regulation Section 10325(f)(7)(K) to 5% (4 units).

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-2001-834). 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

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-2001-834) is a qualified low-income household for the subsequent allocation (existing household eligibility is "grandfathered").

The project is a re-syndication (CA-2001-834) 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 the year in which the existing TCAC project was originally placed-in-service: year 2000. The new regulatory agreement shall reflect the current tax credit rent limits, while the project may continue to charge the hold harmless rents for 31 units at or below 50% AMI and 43 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 re-syndication occurring concurrently 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 $385,750. There is a developer fee contribution to the project of $385,750 allowing the applicant to receive eligible basis for the entire Short Term Work amount.

The project is currently subject to a Capital Needs Agreement due to a prior Transfer Event. There is a replacement reserve in the amount of $81,236 which will continue to stay with the project. The Short Term Work required by the Capital Needs Agreement has not been completed. Tax credits shall not pay for work funded already by the seller from the Initial Transfer Event. The applicant must include the Short Term Work reserve funds required by the Capital Needs Agreement as a financing source in the

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.