

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2019 Second Round

September 25, 2019

Martin Street Apartments II, located at 1255 Martin Street in Lakeport, requested and is being recommended for a reservation of \$1,731,073 in annual federal tax credits and \$1,119,889 in total state tax credits to finance the new construction of 47 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 2 and Assembly District 4.

The project will be receiving rental assistance in the form of USDA RHS 521 Rental Assistance.

Project Number CA-19-123

Project Name Martin Street Apartments II

Site Address: 1255 Martin Street

Lakeport, CA 95453 County: Lake

Census Tract: 4.000

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$1,731,073	\$1,119,889
Recommended:	\$1,731,073	\$1,119,889

* The applicant made an irrevocable election not to sell (Certificate) any portion of the state credits.

Applicant Information

Applicant: Lakeport Family Associates II, 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

Valley Initiative for Affordable Housing

General Partner Type: Joint Venture

Parent Company(ies): The Pacific Companies

Valley Initiative for Affordable Housing

Developer: Pacific West Communities, Inc.

Investor/Consultant: Boston Capital

Management Agent(s): Buckingham Property Management

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 6
 Total # of Units: 48
 No. & % of Tax Credit Units: 47 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: USDA 514 / USDA RHS 521 Rental Subsidy (47 units / 100%)
 Utility Allowance: CUAC

Information

Set-Aside: Rural apportionment (Section 514)
 Housing Type: Large Family
 Geographic Area: N/A
 TCAC Project Analyst: Diane SooHoo

55-Year Use / Affordability

Aggregate Targeting Number of Units	Percentage of Affordable Units
At or Below 30% AMI: 5	10%
At or Below 40% AMI: 5	10%
At or Below 50% AMI (Rural): 24	50%
At or Below 60% AMI: 13	25%

Unit Mix

24 2-Bedroom Units
 24 3-Bedroom Units

 48 Total Units

Unit Type & Number	2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
2 2 Bedrooms	30%	30%	\$438
3 2 Bedrooms	40%	40%	\$584
12 2 Bedrooms	50%	50%	\$730
7 2 Bedrooms	60%	60%	\$876
3 3 Bedrooms	30%	30%	\$505
2 3 Bedrooms	40%	40%	\$674
12 3 Bedrooms	50%	50%	\$842
6 3 Bedrooms	60%	60%	\$1,011
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$485,000
Construction Costs	\$14,147,170
Rehabilitation Costs	\$0
Construction Contingency	\$955,000
Relocation	\$0
Architectural/Engineering	\$595,000
Const. Interest, Perm. Financing	\$701,100
Legal Fees	\$50,000
Reserves	\$218,274
Other Costs	\$1,654,828
Developer Fee	\$2,200,000
Commercial Costs	\$0
Total	\$21,006,372

Residential

Construction Cost Per Square Foot:	\$297
Per Unit Cost:	\$437,633
True Cash Per Unit Cost*:	\$419,000

Construction Financing

Source	Amount
Boston Capital Finance	\$14,421,343
Impact Fee Deferral	\$894,351
Deferred Costs	\$218,274
Deferred Developer Fee	\$2,200,000
Tax Credit Equity	\$3,272,404

Permanent Financing

Source	Amount
Boston Capital Finance	\$750,000
USDA RD - 514 Loan	\$3,000,000
Impact Fee Deferral	\$894,351
Tax Credit Equity	\$16,362,021
TOTAL	\$21,006,372

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$19,234,142
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$19,234,142
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,731,073
Total State Credit:	\$1,119,889
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:	\$0.89991
State Tax Credit Factor:	\$0.70000

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:	\$19,234,142
Actual Eligible Basis:	\$19,234,142
Unadjusted Threshold Basis Limit:	\$15,803,136
Total Adjusted Threshold Basis Limit:	\$19,640,542

Adjustments to Basis Limit

One or More Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- Project has onsite renewable generation estimated to produce 50% or more of annual tenant electricity use as indicated in TCAC Regulations.
- Project has onsite renewable generation estimated to produce 75% or more of annual common area electricity use as indicated in TCAC Regulations.

Local Development Impact Fees

Highest or High Resource Opportunity Area

Tie-Breaker Information

First:	Large Family
Final:	33.229%

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 allocation.

Significant Information / Additional Conditions

The applicant requested and was granted a waiver from the "build and fill" rule under TCAC Regulation Section 10322(h)(10) to allow TCAC to consider the 48-unit farmworker project in the area of Lakeport.

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, City of Lakeport, 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 1 mile of public park or community center open to general public	3	3	3
Within 1 mile of public library	3	3	3
Within 1 mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within 1½ mile of a public high school	2	2	2
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: LEED	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
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.**