CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 16, 2019

Manzanita Family Apartments, located at 2951 Soscol Avenue in Napa, requested and is being recommended for a reservation of $1,296,012 in annual federal tax credits to finance the new construction of 50 units of housing with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Satellite Affordable Housing Associates and will be located in Senate District 3 and Assembly District 4.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers The project financing includes state funding from the AHSC, NHTF and HOME programs of HCD.

Project Number CA-19-522

Project Name Manzanita Family Apartments
Site Address: 2951 Soscol Avenue
Napa, 94558 County: Napa
Census Tract: 2005.04

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,296,012	$0
Recommended:	$1,296,012	$0

Applicant Information

Applicant: Manzanita, L.P.
Contact: Susan Friedland
Address: 1835 Alcatraz Avenue
Berkeley, CA 94703
Phone: (510) 647-0700
Email: sfriedland@sahahomes.org

General Partner or Principal Owner: Satellite AHA Development, Inc.
General Partner Type: Nonprofit
Parent Company: Satellite Affordable Housing Associates
Developer: Satellite Affordable Housing Associates
Investor/Consultant: California Housing Partnership Corporation
Management Agent: Satellite Affordable Housing Associates

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 51
No. / % of Low Income Units: 50 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: HOME / HUD Section 8 Project-based Vouchers (20 units - 40%)

Bond Information

Issuer:	California Municipal Finance Authority
Expected Date of Issuance:	April 2020

Information

Housing Type:	Non-Targeted
Geographic Area:	Northern Region
TCAC Project Analyst:	Ruben Barcelo

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
50% AMI:	22	44%
60% AMI:	28	56%

Unit Mix

25	1-Bedroom Units
13	2-Bedroom Units
13	3-Bedroom Units
51	Total Units

Unit Type & Number		2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
7	1 Bedroom	50%	30%	$565
2	1 Bedroom	50%	30%	$565
7	2 Bedrooms	50%	30%	$678
6	3 Bedrooms	50%	30%	$783
2	2 Bedrooms	60%	50%	$1,130
1	3 Bedrooms	60%	50%	$1,305
16	1 Bedroom	60%	60%	$1,130
4	2 Bedrooms	60%	60%	$1,356
5	3 Bedrooms	60%	60%	$1,566
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$2,422,000
Construction Costs	$19,445,550
Construction Hard Cost Contingency	$1,944,555
Soft Cost Contingency	$329,895
Architectural/Engineering	$1,200,215
Const. Interest, Perm. Financing	$2,570,462
Legal Fees	$25,000
Reserves	$560,294
Other Costs	$2,108,353
Developer Fee	$3,940,444
Total	**$34,546,768**

Residential

Construction Cost Per Square Foot:	$336
Per Unit Cost:	$677,388
True Cash Per Unit Cost*:	$665,639

Construction Financing

Source	Amount
Silicon Valley Bank	$22,720,000
HCD HOME	$3,796,456
City of Napa	$1,523,940
Seller Carryback	$1,185,000
Accrued Interest	$209,188
Deferred Costs	$3,478,868
Deferred Developer Fee	$390,000
Tax Credit Equity	$1,243,316

Permanent Financing

Source	Amount
CCRC	$2,844,000
HCD AHSC	$4,400,000
HCD NHTF	$4,543,887
HCD HOME	$3,796,456
City of Napa	$1,523,940
Napa County	$1,250,000
AHP	$500,000
Seller Carryback	$1,185,000
Deferred Developer Fee	$599,188
General Partner Contribution	$1,325,879
Tax Credit Equity	$12,578,418
TOTAL	**$34,546,768**

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

Determination of Credit Amount(s)

Requested Eligible Basis:	$30,210,072
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	$39,273,094
Applicable Rate:	3.30%
Maximum Annual Federal Credit:	$1,296,012
Approved Developer Fee (in Project Cost & Eligible Basis):	$3,940,444
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	$0.97055

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:	$30,210,072
Actual Eligible Basis:	$30,210,072
Unadjusted Threshold Basis Limit:	$20,548,920
Total Adjusted Threshold Basis Limit:	$37,023,595

Adjustments to Basis Limit

● Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages

● Local Development Impact Fees

● 95% of Upper Floor Units are Elevator-Serviced

● 55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 44%

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's high cost of $677,388 per unit is attributable to the following factors. There are historically high labor and building material costs being driven by the post-fire construction boom in this region. Since the site is undeveloped, significant trench and related site work costs will be incurred to connect to utilities. The city is imposing requirements including installation of a children's play structure, installation of a traffic signal, and construction of additional parking spaces that in turn will necessitate additional storm drain and trash enclosure construction. GreenPoint Gold rating will also add costs.

Resyndication and Resyndication Transfer Event: None

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.