

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

Hidden Cove Apartments, located at 2901 Mary Ann Lane in Bay Point, requested and is being recommended for a reservation of \$969,230 in annual federal tax credits to finance the acquisition and rehabilitation of 87 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Spira Hidden Cove, LP and is located in Senate District 7 and Assembly District 14.

Hidden Cove Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Hidden Cove Apartments (CA-2003-828). See **Resyndication and Resyndication Transfer Event** below for additional information.

Project Number CA-19-527

Project Name Hidden Cove Apartments
 Site Address: 2901 Mary Ann Lane
 Bay Point, CA 94565 County: Contra Costa
 Census Tract: 3141.04

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$969,230	\$0
Recommended:	\$969,230	\$0

Applicant Information

Applicant: Hidden Cove Apartments, LP
 Contact: Stephen Ho
 Address: 1015 Fillmore St. PMB 31735
 San Francisco, CA 94115
 Phone: 778-373-5505
 Email: stephen@spiraequitypartners.com

General Partner(s) or Principal Owner(s): Spira Hidden Cove, LP
 FFAH V Hidden Cove, LLC

General Partner Type: Joint Venture

Parent Company(ies): Spira Equity Partners
 Foundation for Affordable Housing V, Inc.

Developer: Spira Equity Partners

Investor/Consultant: CREA LLC

Management Agent: Aperto Property Management, Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 5
 Total # of Units: 88
 No. / % of Low Income Units: 87 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt

Bond Information

Issuer: Contra Costa County
 Expected Date of Issuance: February 1, 2020

Information

Housing Type: Non-Targeted
 Geographic Area: East Bay Region
 TCAC Project Analyst: Marlene McDonough

55-Year Use / Affordability

Aggregate Targeting		Percentage of
Number of Units		Affordable Units
50% AMI:	18	21%
60% AMI:	69	79%

Unit Mix

28 1-Bedroom Units
 60 2-Bedroom Units

 88 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%	50%	\$1,162
21 1 Bedroom	60%	60%	\$1,395
11 2 Bedrooms	50%	50%	\$1,395
48 2 Bedrooms	60%	60%	\$1,674
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$20,949,988
Construction Costs	\$0
Rehabilitation Costs	\$3,768,160
Construction Hard Cost Contingency	\$376,816
Soft Cost Contingency	\$0
Relocation	\$125,310
Architectural/Engineering	\$175,000
Const. Interest, Perm. Financing	\$1,079,138
Legal Fees	\$94,563
Reserves	\$325,107
Other Costs	\$187,300
Developer Fee	\$3,625,534
Commercial Costs	\$0
Total	\$30,706,915

Residential

Construction Cost Per Square Foot:	\$56
Per Unit Cost:	\$348,942
True Cash Per Unit Cost*:	\$310,254

Construction Financing

Source	Amount
Freddie Mac	\$16,350,000
General Partner Loan	\$7,030,987
Cash Flow From Operations	\$1,440,989
Deferred Developer Fee	\$3,625,534
GP Equity	\$445,175
Tax Credit Equity	\$1,814,230

Permanent Financing

Source	Amount
Freddie Mac	\$16,350,000
Cash Flow From Operations	\$1,440,989
Deferred Developer Fee	\$3,404,602
GP Equity	\$445,175
Tax Credit Equity	\$9,066,149
TOTAL	\$30,706,915

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$5,667,126
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$22,003,332
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$7,367,264
Qualified Basis (Acquisition):	\$22,003,332
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$243,120
Maximum Annual Federal Credit, Acquisition:	\$726,110
Total Maximum Annual Federal Credit:	\$969,230
Approved Developer Fee (in Project Cost & Eligible Basis):	\$3,625,534
Investor/Consultant:	CREA LLC
Federal Tax Credit Factor:	\$0.93540

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:	\$27,670,458
Actual Eligible Basis:	\$27,670,458
Unadjusted Threshold Basis Limit:	\$36,213,868
Total Adjusted Threshold Basis Limit:	\$43,456,642

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: 20%

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 are below the minimum operating expenses established in the Regulations as allowed under regulation section 10327(g)(1). See the **Significant Information** section of this report below. 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 Project's annual per unit operating expense total is below the TCAC published per unit operating minimums of \$6,200. As allowed by TCAC Regulation Section 10327(g)(1), TCAC approves an annual per unit operating expense total of \$5,270 on agreement of the permanent lender and equity investor.

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-2003-828). 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 agreement (CA-03-828) is a qualified low-income household for the subsequent allocation (existing household eligibility is “grandfathered”).

The project is a resyndication occurring concurrently with a Transfer Event without distribution of Net Project Equity, and thus is waived from the requirements under TCAC Regulation Section 10320(b)(4)(B).

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.