

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
October 16, 2019**

Hallmark House Apartments, located at 531 Woodside Road in Redwood City, requested and is being recommended for a reservation of \$860,711 in annual federal tax credits to finance the acquisition and rehabilitation of 71 units of housing serving tenants with rents affordable to households earning 50%-60% of area median income (AMI). The project will be developed by KDF Communities, LLC and is located in Senate District 13 and Assembly District 22.

Project Number CA-19-536

Project Name Hallmark House Apartments
Site Address: 531 Woodside Road
Redwood City, CA 94601 County: San Mateo
Census Tract: 6107.00

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$860,711	\$0
Recommended:	\$860,711	\$0

Applicant Information

Applicant: Hallmark 2017 LP
Contact: Chris Burns
Address: 230 Newport Center Drive, #210
Newport Beach, CA 92660
Phone: 949-719-1888
Email: cburns@kdfcommunities.com

General Partner(s) or Principal Owner(s): AHA Santa Clara MGP, LLC
Hallmark 2017 COGP, LLC
General Partner Type: Joint Venture
Parent Company(ies): Affordable Housing Access, Inc.
KDF Communities, LLC
Developer: KDF Communities, LLC
Investor/Consultant: R4 Capital
Management Agent: VPM Management, Inc.

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 72
Total # of Units: 72
No. / % of Low Income Units: 71 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt

Bond Information

Issuer: CSCDA
 Expected Date of Issuance: November 21, 2019

Information

Housing Type: Non-Targeted
 Geographic Area: South and West Bay Region
 TCAC Project Analyst: Carmen Doonan

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
50% AMI: 22	31%
60% AMI: 49	69%

Unit Mix

2 SRO/Studio Units
70 1-Bedroom Units
 72 Total Units

<u>Unit Type & Number</u>	<u>2019 Rents Targeted % of Area Median Income</u>	<u>2019 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
1 SRO/Studio	50%	50%	\$1,411
1 SRO/Studio	60%	60%	\$1,693
21 1 Bedroom	50%	50%	\$1,511
48 1 Bedroom	60%	60%	\$1,814
1 1 Bedroom	Manager's Unit	Manager's Unit	\$2,800

Project Cost Summary at Application

Land and Acquisition	\$7,400,000
Construction Costs	\$0
Rehabilitation Costs	\$11,318,894
Construction Hard Cost Contingency	\$1,697,834
Soft Cost Contingency	\$50,000
Relocation	\$0
Architectural/Engineering	\$317,600
Const. Interest, Perm. Financing	\$2,070,266
Legal Fees	\$150,000
Reserves	\$322,065
Other Costs	\$519,029
Developer Fee	\$2,839,000
Commercial Costs	\$0
Total	\$26,684,688

Residential

Construction Cost Per Square Foot:	\$167
Per Unit Cost:	\$370,621
True Cash Per Unit Cost*:	\$352,163

Construction Financing		Permanent Financing	
<u>Source</u>	<u>Amount</u>	<u>Source</u>	<u>Amount</u>
Citibank	\$22,000,000	Citibank	\$16,049,000
Redwood City - Assumed	\$650,000	Redwood City - Assumed	\$650,000
Income from Operations	\$523,140	Income from Operations	\$522,990
Tax Credit Equity	\$3,253,488	Deferred Developer Fee	\$1,328,979
		Tax Credit Equity	\$8,133,719
		TOTAL	\$26,684,688

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$16,917,239
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$4,823,700
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$21,992,411
Qualified Basis (Acquisition):	\$4,823,700
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	\$701,529
Maximum Annual Federal Credit, Acquisition:	\$159,182
Total Maximum Annual Federal Credit:	\$860,711
Approved Developer Fee in Project Cost:	\$2,839,000
Approved Developer Fee in Eligible Basis:	\$2,811,083
Investor/Consultant:	R4 Capital
Federal Tax Credit Factor:	\$0.94500

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:	\$21,740,939
Actual Eligible Basis:	\$21,740,939
Unadjusted Threshold Basis Limit:	\$27,355,280
Total Adjusted Threshold Basis Limit:	\$35,561,864

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: 30%

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

This 72 unit project previously had a CTCAC regulatory agreement recorded under the project number (CA-2003-931). The project was severely damaged in a fire in 2013, and is not longer active. The remaining tax credits were recaptured and the project no longer has a CTCAC regulatory agreement.

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.