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

Old Elm Village, located at 359 West Payran Street in Petaluma, requested and is being recommended for a reservation of $702,172 in annual federal tax credits to finance the acquisition and rehabilitation of 85 units of housing serving large families with rents affordable to households earning 30-80% of area median income (AMI). The project will be developed by Burbank Housing Development Corporation and is located in Senate District 3 and Assembly District 10.

Old Elm Village is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Old Elm Village (CA-1999-129). See **Resyndication and Resyndication Transfer Event** below for additional information. The project financing includes state funding from the FMTW program of HCD.

Project Number	CA-19-562	
Project Name	Old Elm Village	
Site Address:	359 West Payran Street	
	Petaluma, CA 94952	County: Sonoma
Census Tract:	1509.01	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$702,172	$0
Recommended:	$702,172	$0

Applicant Information

Applicant:	Old Elm Partners II, L.P.
Contact:	Rich Wallach
Address:	790 Sonoma Ave Santa Rosa, CA 95404
Phone:	707.303.1006
Email:	rwallach@burbankhousing.org

General Partner(s) or Principal Owner(s):	Old Elm Partners II LLC
General Partner Type:	Nonprofit
Parent Company(ies):	Burbank Housing Development Corporation
Developer:	Burbank Housing Development Corporation
Investor/Consultant:	California Housing Partnership Corporation
Management Agent:	Burbank Housing Management Corporation

Project Information

Construction Type:	Acquisition & Rehabilitation	
Total # Residential Buildings:	36	
Total # of Units:	87	
No. / % of Low Income Units:	85	98.84%
Federal Set-Aside Elected:	40%/60% Average Income	
Federal Subsidy:	Tax-Exempt / HOME	

Bond Information

Issuer:	California Municipal Finance Authority
Expected Date of Issuance:	December 15, 2019

Information

Housing Type:	Large Family
Geographic Area:	Northern Region
TCAC Project Analyst:	Tiffani Negrete

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
30% AMI:	27	32%
40% AMI:	22	26%
50% AMI:	17	20%
60% AMI:	5	6%
80% AMI:	14	16%

Average Income Project (70% and/or 80% AMI Units): 59% AMI targeted average or less is required

Unit Mix

9	SRO/Studio Units
22	1-Bedroom Units
12	2-Bedroom Units
38	3-Bedroom Units
6	4-Bedroom Units
87	Total Units

Unit Type & Number		2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
9	SRO/Studio	30%	30%	$567
9	1 Bedroom	30%	30%	$607
1	2 Bedrooms	30%	30%	$729
2	1 Bedroom	30%	30%	$607
2	2 Bedrooms	30%	30%	$729
3	3 Bedrooms	30%	30%	$842
1	4 Bedrooms	30%	30%	$940
5	1 Bedroom	40%	40%	$810
3	2 Bedrooms	40%	40%	$972
13	3 Bedrooms	40%	40%	$1,123
1	4 Bedrooms	40%	40%	$1,253
2	2 Bedrooms	50%	50%	$1,215
12	3 Bedrooms	50%	50%	$1,404
3	4 Bedrooms	50%	50%	$1,566
1	1 Bedroom	60%	60%	$1,214
1	2 Bedrooms	60%	60%	$1,458
2	3 Bedrooms	60%	60%	$1,685
1	4 Bedrooms	60%	60%	$1,879
5	1 Bedroom	80%	63%	$1,280
3	2 Bedrooms	80%	64%	$1,553
6	3 Bedrooms	80%	72%	$2,017
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$0
1	3 Bedrooms	Market Rate Unit	Market Rate Unit	$2,170

Project Cost Summary at Application	
Land and Acquisition	$7,427,087
Construction Costs	$0
Rehabilitation Costs	$6,488,691
Construction Hard Cost Contingency	$981,413
Soft Cost Contingency	$299,067
Relocation	$629,000
Architectural/Engineering	$219,116
Const. Interest, Perm. Financing	$1,241,291
Legal Fees	$79,907
Reserves	$423,056
Other Costs	$208,308
Developer Fee	$2,396,853
Commercial Costs	$284,488
Total	**$20,678,277**

Residential

Construction Cost Per Square Foot:	$87
Per Unit Cost:	$234,411
True Cash Per Unit Cost*:	$226,834

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Wells Fargo - T.E. Bonds	$12,395,509	CCRC - T.E. Bonds	$5,946,000
City of Petaluma (Assumed)	$2,670,975	City of Petaluma (Assumed)	$2,670,975
City of Petaluma HOME (Assumed)	$2,305,599	City of Petaluma HOME (Assumed)	$2,305,599
HCD - FMTW (Assumed)	$420,406	HCD - FMTW (Assumed)	$420,406
Seller Carryback Loan	$668,439	City of Petaluma	$1,120,000
Accrued Interest	$259,057	Accrued Interest	$259,057
Replacement Reserves	$180,000	Seller Carryback Loan	$668,439
General Partner Equity	$100	Replacement Reserves	$180,000
Tax Credit Equity	$544,336	Operating Income	$291,837
		General Partner Equity	$100
		Tax Credit Equity	$6,815,864
		TOTAL	**$20,678,277**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$10,546,981
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$7,878,759
Applicable Fraction:	98.84%
Qualified Basis (Rehabilitation):	$13,513,008
Qualified Basis (Acquisition):	$7,764,944
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	$445,929
Maximum Annual Federal Credit, Acquisition:	$256,243
Approved Developer Fee in Project Cost:	$2,404,333
Approved Developer Fee in Eligible Basis:	$2,396,853
Investor/Consultant:	California Housing Partnership Corporation
Federal Tax Credit Factor:	$0.97068

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:	$18,425,740
Actual Eligible Basis:	$18,425,740
Unadjusted Threshold Basis Limit:	$38,313,240
Total Adjusted Threshold Basis Limit:	$79,308,407

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: 45%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 62%

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's estimate of contractor profit, overhead and general requirement costs exceeds TCAC limits. The applicant is cautioned that at final review, prior to the issuance of the IRS 8609 forms, any costs or eligible basis that exceeds the limits will not be allowed.

The applicant requested and has been granted a partial waiver to reduce the 10% mobility feature requirement under TCAC Regulation Section 10325(f)(7)(K) to 9% due to excessive expense / undue financial burden and impracticality. The project shall provide 9% of units (8 units) meeting the provisions of California Building Code Chapter 11(B) regarding mobility accessibility features and 4% (4 units) with communication features.

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-1999-129). 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-1999-129) is a qualified low-income household for the subsequent allocation (existing household eligibility is "grandfathered").

The project is a resyndication where the existing regulatory agreement requires service amenities. The project shall provide a similar or greater level of services for a period of at least 15 years under the new regulatory agreement. The project is deemed to have met this requirement based on TCAC staff's review of the commitment in the application. The services documented in the placed in service package will be reviewed by TCAC staff for compliance with this requirement at the time of the placed in service submission.

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.