

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
2019 Waiting List Project
October 16, 2019

Residences at East Hills, located at 3345 Bernard Street in Bakersfield, requested and is being recommended for a reservation of \$1,526,810 in annual federal tax credits to finance the new construction of 80 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 Housing Authority of the County of Kern and will be located in Senate District 16 and Assembly District 34.

Residences at East Hills will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers. The project financing includes state funding from the VHHP program of HCD.

Project Number CA-19-060

Project Name Residences at East Hills
Site Address: 3345 Bernard Street
 Bakersfield, CA 93306 County: Kern
Census Tract: 9.040

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$1,526,810	\$0
Recommended:	\$1,526,810	\$0

Applicant Information

Applicant: Housing Authority of the County of Kern
Contact: Stephen Pelz
Address: 601 24th Street
 Bakersfield, CA 93301
Phone: 661 631-8500
Email: spelz@kernha.org

General Partner(s) / Principal Owner(s): Housing Authority of the County of Kern
 Golden Empire Affordable Housing, Inc.
General Partner Type: Nonprofit
Parent Company(ies): Housing Authority of the County of Kern
Developer: Housing Authority of the County of Kern
Investor/Consultant: PNC Bank, NA
Management Agent(s): Housing Authority of the County of Kern

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 5
 Total # of Units: 81
 No. & % of Tax Credit Units: 80 100%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: HUD Section 8 Project Based Vouchers (20 units - 25%) / HOME

Information

Set-Aside: N/A
 Housing Type: Large Family
 Geographic Area: Central Valley Region
 TCAC Project Analyst: Marlene McDonough

55-Year Use / Affordability

Aggregate Targeting	Number of Units	Percentage of Affordable Units
At or Below 30% AMI:	20	25%
At or Below 40% AMI:	8	10%
At or Below 50% AMI:	20	25%
At or Below 60% AMI:	32	40%

Unit Mix

40 1-Bedroom Units
 20 2-Bedroom Units
 21 3-BedroomUnits

 81 Total Units

Unit Type & Number	2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
16 1 Bedroom	30%	28%	\$336
4 1 Bedroom	40%	37%	\$448
10 1 Bedroom	50%	46%	\$560
10 1 Bedroom	60%	55%	\$672
2 2 Bedrooms	30%	28%	\$403
2 2 Bedrooms	40%	37%	\$538
5 2 Bedrooms	50%	46%	\$672
11 2 Bedrooms	60%	55%	\$800
2 3 Bedrooms	30%	28%	\$465
2 3 Bedrooms	40%	37%	\$621
5 3 Bedrooms	50%	46%	\$776
11 3 Bedrooms	60%	53%	\$900
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,151,850
Construction Costs	\$15,561,451
Rehabilitation Costs	\$0
Construction Contingency	\$878,073
Relocation	\$0
Architectural/Engineering	\$625,000
Const. Interest, Perm. Financing	\$882,300
Legal Fees	\$155,000
Reserves	\$488,489
Other Costs	\$1,488,976
Developer Fee	\$2,000,000
Commercial Costs	\$0
Total	\$23,231,139

Residential

Construction Cost Per Square Foot:	\$242
Per Unit Cost:	\$286,804
True Cash Per Unit Cost*:	\$279,284

Construction Financing

Source	Amount
Rabobank	\$16,000,000
Housing Authority of Kern County	\$639,000
City of Bakersfield - HOME	\$1,500,000
Deferred Costs	\$2,283,088
Tax Credit Equity	\$2,809,051

Permanent Financing

Source	Amount
Valley Republic Bank	\$1,900,000
Housing Authority of Kern County	\$1,439,000
City of Bakersfield - HOME	\$1,500,000
HCD VHHP	\$3,544,000
Deferred Developer Fees	\$609,135
Solar Tax Credit Equity	\$193,752
Tax Credit Equity	\$14,045,252
TOTAL	\$23,231,139

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$16,964,561
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$16,964,561
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$1,526,810
Approved Developer Fee in Project Cost:	\$2,000,000
Approved Developer Fee in Eligible Basis:	\$1,400,000
Investor/Consultant:	PNC Bank, NA
Federal Tax Credit Factor:	\$0.91991

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:	\$16,964,561
Actual Eligible Basis:	\$20,392,972
Unadjusted Threshold Basis Limit:	\$23,115,544
Total Adjusted Threshold Basis Limit:	\$23,115,544

Adjustments to Basis Limit: None.

Tie-Breaker Information

First:	Large Family
Final:	44.213%

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 current legal description is part of a larger site and the project site’s parcel (legal description and APN) have not yet been finalized. The legal description and APN for CA-19-060 must be completed as part of the Readiness to Proceed 180/194-Day package.

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, The City of Bakersfield, 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, service every 30 minutes in rush hours	6	6	6
Within ¾ mile of public park or community center open to general public	2	2	2
Within 1 mile of public library	2	2	2
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Harding Elementary School	3	3	3
Within 1 mile of medical clinic or hospital	2	2	2
Within ½ mile of a pharmacy	2	2	2
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Service Coordinator, minimum ratio of 1 FTE to 1,000 bedrooms	3	3	3
Other Services Specialist, minimum ratio of 1 FTE to 600 bedrooms	5	5	5
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	7	7	7
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Renewable energy providing percentage of tenants' energy loads: 40%	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
Smoke Free Residence	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.