CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 11, 2019

Quail Run Apartments, located at 1018 Bellevue Avenue in Santa Rosa, requested and is being recommended for a reservation of $3,202,726 in annual federal tax credits to finance the acquisition and rehabilitation of 198 units of housing serving large families with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Eden Housing, Inc. and is located in Senate District 2 and Assembly District 10.

Quail Run Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Quail Run (CA-2000-820). See **Resyndication and Resyndication Transfer Event** below for additional information. The project will be receiving rental assistance in the form of a HUD Section 811 Project Rental Assistance Demonstration (PRA) Contract through CalHFA.

Project Number	CA-19-571	
Project Name	Quail Run Apartments	
Site Address:	1018 Bellevue Avenue	
	Santa Rosa, CA 95407	County: Sonoma
Census Tract:	1514.02	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$3,202,726	$0
Recommended:	$3,202,726	$0

Applicant Information

Applicant:	Eden Housing, Inc. and Santa Rosa Quail Run, L.P.
Contact:	Linda Mandolini
Address:	22645 Grand Street
	Hayward, CA 94541
Phone:	510-582-1460
Email:	lmandolini@edenhousing.org

General Partner(s) or Principal Owner(s):	Santa Rosa Quail Run LLC
General Partner Type:	Nonprofit
Parent Company(ies):	Eden Housing, Inc.
Developer:	Eden Housing, Inc.
Investor/Consultant:	California Housing Partnership
Management Agent:	Eden Housing Management, Inc.

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	10
Total # of Units:	200
No. / % of Low Income Units:	198 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / CDBG / HUD Section 811 PRA Contract (11 units - 6%)

Bond Information

Issuer:	California Municipal Finance Authority
Expected Date of Issuance:	March 1, 2020

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
50% AMI:	20	10%
60% AMI:	178	90%

Unit Mix

48	1-Bedroom Units
64	2-Bedroom Units
76	3-Bedroom Units
12	4-Bedroom Units
200	Total Units

Unit Type & Number		2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
8	1 Bedroom	50%	30%	$607
3	2 Bedrooms	50%	30%	$729
7	3 Bedrooms	50%	50%	$1,404
2	4 Bedrooms	50%	50%	$1,565
40	1 Bedroom	60%	56%	$1,138
59	2 Bedrooms	60%	54%	$1,319
69	3 Bedrooms	60%	52%	$1,462
10	4 Bedrooms	60%	53%	$1,649
2	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application	
Land and Acquisition	$54,192,400
Construction Costs	$0
Rehabilitation Costs	$17,411,562
Construction Hard Cost Contingency	$2,634,347
Soft Cost Contingency	$341,368
Relocation	$240,000
Architectural/Engineering	$1,423,362
Const. Interest, Perm. Financing	$3,561,981
Legal Fees	$101,900
Reserves	$873,527
Other Costs	$1,337,910
Developer Fee	$11,591,004
Commercial Costs	$0
Total	**$93,709,361**

Residential	
Construction Cost Per Square Foot:	$87
Per Unit Cost:	$468,547
True Cash Per Unit Cost*:	$311,779

Construction Financing

Source	Amount
Union Bank - T.E. Bonds	$55,000,000
HASR - CDBG**	$415,616
Seller Carryback Loan	$23,242,458
Accrued Interest	$887,178
Replacement Reserves	$617,845
Deferred Developer Fee	$8,111,004
Tax Credit Equity	$3,249,237

Permanent Financing

Source	Amount
Union Bank - T.E. Bonds	$23,182,000
Union Bank - T.E. Bonds	$1,868,000
HASR - CDBG**	$415,616
Seller Carryback Loan	$23,242,458
Accrued Interest	$887,178
Replacement Reserves	$617,845
Operating Income	$1,584,744
Deferred Developer Fee	$8,111,004
Tax Credit Equity	$33,800,516
TOTAL	**$93,709,361**

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

**Housing Authority of the City of Santa Rosa Loan

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$27,293,269
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$61,571,097
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$35,481,249
Qualified Basis (Acquisition):	$61,571,097
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	$1,170,880
Maximum Annual Federal Credit, Acquisition:	$2,031,846
Total Maximum Annual Federal Credit:	$3,202,726
Approved Developer Fee (in Project Cost & Eligible Basis):	$11,591,004
Investor/Consultant:	California Housing Partnership
Federal Tax Credit Factor:	$1.05537

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:	$88,864,365
Actual Eligible Basis:	$88,864,365
Unadjusted Threshold Basis Limit:	$89,019,072
Total Adjusted Threshold Basis Limit:	$97,920,979

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: 10%

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 requested and has been granted a partial waiver to reduce the 10% mobility feature requirement under TCAC Regulation Section 10325(f)(7)(K) to 5% due to excessive expensiveness / undue financial burden. The project shall provide 5% of units (10 units) meeting the provisions of California Building Code Chapter 11(B) regarding mobility accessibility features. The project must continue to provide at least 4% of units with communications features that meet the requirements of Chapter 11(B).

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-2000-820). 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-2000-820) 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.