

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

Sycamore Ridge Family Apartments, located at 1245 West Sycamore Street in Willows, requested and is being recommended for a reservation of \$403,107 in annual federal tax credits to finance the new construction of 23 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 Pacific West Communities, Inc. and will be located in Senate District 4 and Assembly District 3.

Project Number CA-19-576

Project Name Sycamore Ridge Family Apartments
 Site Address: 1245 West Sycamore Street
 Willows, CA 95988 County: Glenn
 Census Tract: 104.00

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$403,107	\$0
Recommended:	\$403,107	\$0

Applicant Information

Applicant: Willows Family Associates, a California Limited Partnership
 Contact: Caleb Roope
 Address: 430 E. State Street, Suite 100
 Eagle, ID 83616
 Phone: 208.461.0022
 Email: calebr@tpchousing.com

General Partner(s) or Principal Owner(s): TPC Holdings VII, LLC
 Central Valley Coalition for Affordable Housing

General Partner Type: Joint Venture
 Parent Company(ies): The Pacific Companies
 Developer: Pacific West Communities, Inc.
 Investor/Consultant: Boston Capital
 Management Agent: Buckingham Property Management

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 2
 Total # of Units: 24
 No. / % of Low Income Units: 23 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HOME
 Utility Allowance: CUAC

Bond Information

Issuer: California Municipal Finance Authority (CMFA)
 Expected Date of Issuance: April 1, 2020

Information

Housing Type: Large Family
 Geographic Area: Rural
 TCAC Project Analyst: Sara Dixon

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI: 4	17%
40% AMI: 5	22%
50% AMI: 7	30%
60% AMI: 7	30%

Unit Mix

12 2-Bedroom Units
12 3-Bedroom Units
<u>24 Total Units</u>

<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>
3 2 Bedrooms	30%	30%	\$438
3 2 Bedrooms	40%	40%	\$584
3 2 Bedrooms	50%	50%	\$730
3 2 Bedrooms	60%	60%	\$876
1 3 Bedrooms	30%	30%	\$505
2 3 Bedrooms	40%	40%	\$674
4 3 Bedrooms	50%	50%	\$842
4 3 Bedrooms	60%	60%	\$1,011
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$242,500
Construction Costs	\$6,480,790
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$325,000
Soft Cost Contingency	\$100,000
Relocation	\$0
Architectural/Engineering	\$345,000
Const. Interest, Perm. Financing	\$484,700
Legal Fees	\$50,000
Reserves	\$86,031
Other Costs	\$563,570
Developer Fee	\$1,225,623
Commercial Costs	\$0
Total	\$9,903,214

Residential

Construction Cost Per Square Foot:	\$265
Per Unit Cost:	\$412,634
True Cash Per Unit Cost*:	\$387,842

Construction Financing

Source	Amount
California Bank & Trust	\$6,000,000
City of Willows - HOME Loan	\$2,000,000
Deferred Developer Fee	\$1,225,623
Deferred Cost	\$86,031
Tax Credit Equity	\$591,560

Permanent Financing

Source	Amount
California Bank & Trust	\$600,000
City of Willows - HOME Loan	\$5,000,000
Deferred Developer Fee	\$595,000
Tax Credit Equity	\$3,708,214
TOTAL	\$9,903,214

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$9,396,440
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$12,215,372
Applicable Rate:	3.30%
Total Maximum Annual Federal Credit:	\$403,107
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,225,623
Investor/Consultant:	Boston Capital
Federal Tax Credit Factor:	\$0.91991

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:	\$9,396,440
Actual Eligible Basis:	\$9,396,440
Unadjusted Threshold Basis Limit:	\$9,039,744
Total Adjusted Threshold Basis Limit:	\$18,952,200

Adjustments to Basis Limit

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages

Local Development Impact Fees

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 52%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 34%

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 has requested the use of a CUAC utility allowance. TCAC staff is in the process of reviewing the CUAC documentation for this project. Until written approval is received from TCAC, this project is not eligible to use a utility allowance based on the CUAC.

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.