

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

Cinnamon Villas II, located at the SE Corner of Cinnamon Drive and Follett Street in Lemoore, requested and is being recommended for a reservation of \$191,592 in annual federal tax credits to finance the new construction of 27 units of housing serving seniors with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Pacific West Communities, Inc. and will be located in Senate District 14 and Assembly District 32.

**Project Number** CA-19-578

**Project Name** Cinnamon Villas II  
**Site Address:** SE Corner of Cinnamon Drive and Follett Street  
Lemoore, CA 93245 County: Kings  
**Census Tract:** 4.04

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total</b>
Requested:	\$191,592	\$0
Recommended:	\$191,592	\$0

**Applicant Information**

**Applicant:** Lemoore Pacific Associates III, 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  
Kawah Management Company

**General Partner Type:** Joint Venture

**Parent Company(ies):** The Pacific Companies  
Kawah Management Company

**Developer:** Pacific West Communities, Inc.

**Investor/Consultant:** Boston Capital

**Management Agent:** Buckingham Property Management

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 4  
 Total # of Units: 28  
 No. / % of Low Income Units: 27 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt  
 Utility Allowance: CUAC

**Bond Information**

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

**Information**

Housing Type: Seniors  
 Geographic Area: Central Valley Region  
 TCAC Project Analyst: Sara Dixon

**55-Year Use / Affordability**

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
50% AMI: 6	22%
60% AMI: 21	78%

**Unit Mix**

24 1-Bedroom Units
4 2-Bedroom Units
<u>28 Total Units</u>

<u>Unit Type &amp; 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>
6 1 Bedroom	50%	50%	\$608
18 1 Bedroom	60%	60%	\$729
3 2 Bedrooms	60%	60%	\$876
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$382,000
Construction Costs	\$3,586,719
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$178,000
Soft Cost Contingency	\$100,000
Relocation	\$0
Architectural/Engineering	\$395,000
Const. Interest, Perm. Financing	\$405,000
Legal Fees	\$50,000
Reserves	\$59,426
Other Costs	\$507,297
Developer Fee	\$757,279
Commercial Costs	\$0
<b>Total</b>	<b>\$6,420,721</b>

**Residential**

Construction Cost Per Square Foot:	\$193
Per Unit Cost:	\$229,311
True Cash Per Unit Cost*:	\$212,161

**Construction Financing**

**Permanent Financing**

Source	Amount	Source	Amount
California Bank & Trust	\$4,300,000	California Bank & Trust	\$1,000,000
HCD - HOME Loan	\$324,051	HCD - HOME Loan	\$2,301,051
City of Lemoore - Fee Deferral	\$230,200	City of Lemoore - Fee Deferral	\$230,200
Hsg. Auth. of Kings County	\$377,000	Hsg. Auth. of Kings County	\$377,000
Deferred Developer Fee	\$757,279	Hsg. Auth. of Tulare County	\$500,000
Deferred Cost	\$59,426	Deferred Developer Fee	\$250,000
Tax Credit Equity	\$372,765	Tax Credit Equity	\$1,762,470
		<b>TOTAL</b>	<b>\$6,420,721</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$5,805,805
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$5,805,805
Applicable Rate:	3.30%
Total Maximum Annual Federal Credit:	\$191,592
Approved Developer Fee (in Project Cost & Eligible Basis):	\$757,279
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:	\$5,805,805
Actual Eligible Basis:	\$5,805,805
Unadjusted Threshold Basis Limit:	\$7,895,248
Total Adjusted Threshold Basis Limit:	\$12,334,585

**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

Highest or High Resource Opportunity Area

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 22%

**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.