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

Agave at Elk Grove, located at 10070 Willard Parkway in Elk Grove, requested and is being recommended for a reservation of $1,426,653 in annual federal tax credits to finance the acquisition and rehabilitation of 187 units of housing serving tenants with rents affordable to households earning 50%-60% of area median income (AMI). The project will be developed by Vintage Housing Development, Inc. and is located in Senate District 6 and Assembly District 7.

Agave at Elk Grove is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Agave at Elk Grove (CA-2003-884). See **Resyndication and Resyndication Transfer Event** below for additional information.

Project Number CA-19-601

Project Name Agave at Elk Grove
- Site Address: 10070 Willard Parkway, Elk Grove, CA 95758 — County: Sacramento
- Census Tract: 96.30

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,426,653	$0
Recommended:	$1,426,653	$0

Applicant Information

Applicant:	Agave by Vintage, LP
Contact:	Michael K. Gancar
Address:	369 San Miguel Drive, Suite 135 Newport Beach, CA 92660
Phone:	(949) 721-6775
Email:	mgancar@vintagehousing.com

General Partner(s) or Principal Owner(s):	Agave by Vintage Partners, LLC Hearthstone CA Properties II, LLC
General Partner Type:	Joint Venture
Parent Company(ies):	Vintage Housing Holdings, LLC Hearthstone Housing Foundation, Inc.
Developer:	Vintage Housing Development, Inc.
Investor/Consultant:	Aegon USA Realty Advisors, LLC
Management Agent:	FPI Management, Inc.

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	9
Total # of Units:	188
No. / % of Low Income Units:	187 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt

Bond Information

Issuer:	California Statewide Communities Development Authority
Expected Date of Issuance:	January 8, 2020

Information

Housing Type:	Non-Targeted
Geographic Area:	Capital Region
TCAC Project Analyst:	Carmen Doonan

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
50% AMI:	38	20%
60% AMI:	148	79%

Unit Mix

96	2-Bedroom Units
80	3-Bedroom Units
12	4-Bedroom Units
188	Total Units

Unit Type & Number		2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
16	2 Bedrooms	50%	50%	$941
78	2 Bedrooms	60%	60%	$1,129
22	3 Bedrooms	50%	50%	$1,086
58	3 Bedrooms	60%	60%	$1,304
12	4 Bedrooms	60%	60%	$1,455
* 2	2 Bedrooms	Manager's Unit	Manager's Unit	$2,056

* One of the manager's unit is also a low income unit restricted at or below 60% AMI

Project Cost Summary at Application

Land and Acquisition	$29,200,000
Construction Costs	$0
Rehabilitation Costs	$7,530,187
Construction Hard Cost Contingency	$376,509
Soft Cost Contingency	$125,000
Relocation	$32,500
Architectural/Engineering	$200,000
Const. Interest, Perm. Financing	$2,700,650
Legal Fees	$129,500
Reserves	$548,720
Other Costs	$603,347
Developer Fee	$5,411,279
Commercial Costs	$0
Total	**$46,857,692**

Residential

Construction Cost Per Square Foot:	$39
Per Unit Cost:	$249,243
True Cash Per Unit Cost*:	$213,932

Construction Financing

Source	Amount
Citi Community Capital	$35,000,000
Seller Carryback	$2,343,837
Income During Construction	$2,852,576
Deferred Developer Fee	$5,411,279
Tax Credit Equity	$1,250,000

Permanent Financing

Source	Amount
Citi Community Capital	$25,050,000
Seller Carryback	$1,250,000
Income During Construction	$2,852,576
Deferred Developer Fee	$4,294,574
Tax Credit Equity	$13,410,542
TOTAL	**$46,857,692**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$10,321,475
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$31,165,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$13,417,918
Qualified Basis (Acquisition):	$31,165,000
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	$398,208
Maximum Annual Federal Credit, Acquisition:	$1,028,445
Total Maximum Annual Federal Credit:	$1,426,653
Approved Developer Fee (in Project Cost & Eligible Basis):	$5,411,279
Investor/Consultant:	Aegon USA Realty Advisors, LLC
Federal Tax Credit Factor:	$0.94000

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:	$41,486,475
Actual Eligible Basis:	$41,486,475
Unadjusted Threshold Basis Limit:	$71,205,160
Total Adjusted Threshold Basis Limit:	$85,446,192

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: 20%

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 are below the minimum operating expenses established in the Regulations (See "Significant Information / Additional Conditions" Section below), 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

This project will have two manager units. One of the affordable two-bedroom units will be occupied by a tax-credit qualified property manager.

The applicant's estimate for annual operating expenses per unit is below the $4,800 published per unit operating expense minimum required for this type of project. As allowed by TCAC Regulation Section 10327(g)(1), TCAC approves the annual per unit operating expense total of $3,910 in agreement with the permanent lender and equity investor.

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-2003-884). 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-03-884) 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 with distribution of Net Project Equity. The rehabilitation scope of work shall include all of the Short Term Work in the amount of $1,090,400. There is a reduction in the purchase price in the amount of at least $1,090,400, as shown by an appraisal, allowing the applicant to receive eligible basis for the entire Short Term Work amount.

The project is currently subject to a Capital Needs Agreement due to a prior Transfer Event. There is a capitalized replacement reserve in the amount of $45,684 which will continue to stay with the project. This Subsequent Transfer Event requires either a seller carryback note or a general partner equity contribution in the amount of $247,085. There is a seller carryback note in the amount of $1,250,000 satisfying such requirement.

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.