

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
January 15, 2020**

Downtown Madera Veterans & Family Housing, located at 121 and 200 North C Street in Madera, requested and is being recommended for a reservation of \$870,282 in annual federal tax credits and \$4,430,000 in total state tax credits to finance the new construction of 47 units of housing 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 15 and Assembly District 5.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers. The project financing includes state funding from HCD's AHSC program.

Project Number CA-20-409

Project Name Downtown Madera Veterans & Family Housing
Site Address: 121 and 200 North C Street
Madera, CA 93638 County: Madera
Census Tract: 8.00

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$870,282	\$4,430,000
Recommended:	\$870,282	\$4,430,000

* The applicant made an election not to sell (Certificate) any portion of the state credits.

Applicant Information

Applicant: Downtown Madera Housing 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
Madera Opportunities for Resident Enrichment & Services, Inc.

General Partner Type: Joint Venture
Parent Company(ies): The Pacific Companies
Madera Opportunities for Resident Enrichment & Services, Inc.

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: 48
 No. / % of Low Income Units: 47 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (30 units - 64%)

Bond Information

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

Information

Housing Type: Non-Targeted
 Geographic Area: Central Valley
 TCAC Project Analyst: Ruben Barcelo

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI: 15	32%
50% AMI: 14	30%
60% AMI: 18	38%

Unit Mix

18 SRO/Studio Units
 10 1-Bedroom Units
 12 2-Bedroom Units
8 3-Bedroom Units
 48 Total Units

<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>
12 SRO/Studio	30%	30%	\$340
6 SRO/Studio	50%	50%	\$567
3 1 Bedroom	30%	30%	\$364
7 1 Bedroom	50%	50%	\$608
11 2 Bedrooms	60%	60%	\$876
1 3 Bedrooms	50%	50%	\$842
7 3 Bedrooms	60%	60%	\$1,011
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$193,500
Construction Costs	\$14,163,790
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$700,000
Soft Cost Contingency	\$350,000
Relocation	\$0
Architectural/Engineering	\$723,000
Const. Interest, Perm. Financing	\$896,020
Legal Fees	\$70,000
Reserves	\$352,319
Other Costs	\$1,526,538
Developer Fee	\$2,457,589
Commercial Costs	\$0
Total	\$21,432,756

Residential

Construction Cost Per Square Foot:	\$400
Per Unit Cost:	\$446,516
True Cash Per Unit Cost*:	\$441,149

Construction Financing

Source	Amount
California Bank & Trust	\$12,000,000
California Bank & Trust Taxable	\$3,500,000
SJV Air Pollution Control District	\$539,151
Madera County - MHSA	\$500,000
City of Madera	\$946,000
Deferred Costs	\$352,319
Deferred Developer Fee	\$2,457,589
Tax Credit Equity	\$1,137,697

Permanent Financing

Source	Amount
California Bank & Trust	\$1,350,000
HCD - AHSC	\$6,818,980
SJV Air Pollution Control District	\$539,151
Madera County - MHSA	\$500,000
City of Madera	\$946,000
Deferred Developer Fee	\$257,589
Tax Credit Equity	\$11,021,036
TOTAL	\$21,432,756

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$20,661,955
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$26,860,542
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	\$870,282
Total State Credit:	\$4,430,000
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,457,589
Investor/Consultant:	Boston Capital
Federal Tax Credit Factor:	\$0.89991
State Tax Credit Factor:	\$0.71993

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:	\$20,661,955
Actual Eligible Basis:	\$20,661,955
Unadjusted Threshold Basis Limit:	\$14,363,160
Total Adjusted Threshold Basis Limit:	\$32,238,945

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

95% of Upper Floor Units are Elevator-Serviced

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 29%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 62%

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 3.24% 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

Staff noted that each of the two residential buildings will be located on separate parcels that are separated by a street intersection. The building located at 121 North C Street will serve large families and the building located at 200 North C Street will serve veterans.

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.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

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.