CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
April 14, 2020

Casa Del Rio Apartments / Santa Cruz Riverfront Apartments, located at 148 and 170 Blaine Street in Santa Cruz, requested and is being recommended for a reservation of $1,734,845 in annual federal tax credits to finance the acquisition and rehabilitation of 102 units of housing with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Gung Ho - Santa Cruz, LLC and is located in Senate District 17 and Assembly District 29.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Vouchers.

Project Number CA-20-571

Project Name Casa Del Rio Apartments / Santa Cruz Riverfront Apartments
Site Address: 148 and 170 Blaine Street
Santa Cruz, CA 95060 County: Santa Cruz
Census Tract: 1002.00

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,734,845	$0
Recommended:	$1,734,845	$0

Applicant Information
Applicant: Reliant - Santa Cruz, LP
Contact: TJ Park
Address: 601 California Street, Suite 1150
San Francisco, CA 94108
Phone: (415) 813-3833
Email: tjpark@reliantgroup.com

General Partner(s) or Principal Owner(s): Gung Ho - Santa Cruz, LLC
Rainbow - Santa Cruz, LLC
General Partner Type: Joint Venture
Parent Company(ies): Gung Ho Partners, LLC
Rainbow Housing Assistance Corporation
Developer: Gung Ho - Santa Cruz, LLC
Investor/Consultant: R4 Capital, LLC
Management Agent: FPI Management

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	8
Total # of Units:	103
No. / % of Low Income Units:	102 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Vouchers (70 Units / 68%)

Bond Information

Issuer:	California Public Finance Authority
Expected Date of Issuance:	April 1, 2020

Information

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

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
50% AMI:	46	45%
60% AMI:	56	55%

Unit Mix

59	1-Bedroom Units
36	2-Bedroom Units
8	3-Bedroom Units
103	Total Units

Unit Type & Number		2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
3	1 Bedroom	50%	50%	$1,150
29	1 Bedroom	60%	60%	$1,380
15	1 Bedroom	50%	50%	$1,150
2	1 Bedroom	50%	50%	$1,150
20	2 Bedrooms	50%	50%	$1,381
2	2 Bedrooms	50%	50%	$1,381
4	3 Bedrooms	50%	50%	$1,595
9	1 Bedroom	60%	60%	$1,380
1	1 Bedroom	60%	60%	$1,380
13	2 Bedrooms	60%	60%	$1,657
1	2 Bedrooms	60%	60%	$1,657
3	3 Bedrooms	60%	60%	$1,914
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$3,209

Project Cost Summary at Application

Land and Acquisition	$36,590,500
Construction Costs	$0
Rehabilitation Costs	$7,866,270
Construction Hard Cost Contingency	$786,627
Soft Cost Contingency	$305,000
Relocation	$49,077
Architectural/Engineering	$275,000
Const. Interest, Perm. Financing	$4,531,620
Legal Fees	$452,500
Reserves	$539,709
Other Costs	$290,273
Developer Fee	$5,959,862
Commercial Costs	$0
Total	**$57,646,438**

Residential

Construction Cost Per Square Foot:	$109
Per Unit Cost:	$559,674
True Cash Per Unit Cost*:	$525,756

Construction Financing

Source	Amount
Citibank	$23,900,000
Citibank Taxable Loan	$6,100,000
Series B Sub TE Bond (CAP VI)	$7,500,000
Deferred Fees and Costs	$4,159,705
Tax Credit Equity	$15,986,733

Permanent Financing

Source	Amount
Citibank	$23,900,000
Citibank Taxable Loan	$6,100,000
Series B Sub TE Bond (CAP VI)	$7,500,000
Deferred Developer Fee	$3,493,591
Tax Credit Equity	$16,652,847
TOTAL	**$57,646,438**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$11,458,616
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$38,648,389
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$14,896,201
Qualified Basis (Acquisition):	$38,648,389
Applicable Rate:	3.24%
Maximum Annual Federal Credit, Rehabilitation:	$482,637
Maximum Annual Federal Credit, Acquisition:	$1,252,208
Total Maximum Annual Federal Credit:	$1,734,845
Approved Developer Fee (in Project Cost & Eligible Basis):	$5,959,862
Investor/Consultant:	R4 Capital, LLC
Federal Tax Credit Factor:	$0.95990

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:	$50,107,005
Actual Eligible Basis:	$50,107,005
Unadjusted Threshold Basis Limit:	$34,558,855
Total Adjusted Threshold Basis Limit:	$50,110,340

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: 45%

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 a per unit cost of $525,756. The applicant noted the per unit cost is attributed to the acquisition costs and the extensive scope of the rehabilitation due to the age and condition of the properties.

This project consists of two adjacent projects that are being combined into one. The management office located at the Santa Cruz Riverfront property will continue to serve all tenants at both locations.

The reservation of tax credits is contingent upon verification by HUD of the rental subsidy contract rent amounts within 180 days of the date of reservation.

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.