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

Hilltop Commons Apartments, located at 15690 Crestwood Drive in San Pablo, requested and is being recommended for a reservation of $5,057,981 in annual federal tax credits to finance the acquisition and rehabilitation of 321 units of housing serving large families with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Fairfield Affordable Housing Fund Tranche II LLC and is located in Senate District 9 and Assembly District 15.

Hilltop Commons Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Hilltop Commons Apartments (CA-2001-831). See **Resyndication and Resyndication Transfer Event** below for additional information. The project is currently at-risk, but is being recommended for a reservation of tax credits that will be preserve affordability for an additional 55 years.

Project Number	CA-20-904		
Project Name	Hilltop Commons Apartments		
Site Address:	15690 Crestwood Drive		
	San Pablo, CA 94806	County:	Contra Costa
Census Tract:	3640.20		

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$5,057,981	$0
Recommended:	$5,057,981	$0

Applicant Information

Applicant:	Fairfield Hilltop LP, a California limited partnership
Contact:	Tim Wray
Address:	5510 Morehouse Drive, Suite 200 San Diego, CA 92121
Phone:	858-824-6413
Email:	twray@ffres.com

General Partner(s) or Principal Owner(s):	FRH Hilltop LLC RCC MGP LLC
General Partner Type:	Joint Venture
Parent Company(ies):	Fairfield Residential Holdings LLC Riverside Charitable Corporation
Developer:	Fairfield Affordable Housing Fund Tranche II LLC
Investor/Consultant:	Raymond James
Management Agent:	Fairfield Properties LP

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	23
Total # of Units:	324
No. / % of Low Income Units:	321 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt
Utility Allowance:	CUAC

Bond Information

Issuer:	CSCDA
Expected Date of Issuance:	January 30, 2020

Information

Housing Type:	Large Family
Geographic Area:	East Bay Region
TCAC Project Analyst:	Ruben Barcelo

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
50% AMI:	34	11%
60% AMI:	287	89%

Unit Mix

204	1-Bedroom Units
120	2-Bedroom Units
324	Total Units

Unit Type & Number		2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
21	1 Bedroom	50%	50%	$1,162
180	1 Bedroom	60%	60%	$1,395
13	2 Bedrooms	50%	50%	$1,395
107	2 Bedrooms	60%	60%	$1,674
3	1 Bedroom	Manager’s Unit	Manager’s Unit	$5,637

Project Cost Summary at Application

Land and Acquisition	$89,872,440
Construction Costs	$0
Rehabilitation Costs	$32,108,872
Construction Hard Cost Contingency	$3,210,887
Soft Cost Contingency	$1,845,060
Relocation	$750,000
Architectural/Engineering	$5,000
Const. Interest, Perm. Financing	$4,308,730
Legal Fees	$200,000
Reserves	$1,252,117
Other Costs	$281,560
Developer Fee	$18,705,853
Commercial Costs	$0
Total	**$152,540,519**

Residential

Construction Cost Per Square Foot:	$125
Per Unit Cost:	$470,804
True Cash Per Unit Cost*:	$470,804

Construction Financing

Source	Amount
Citibank	$85,000,000
Citibank Taxable Bonds	$15,000,000
Short Term Work Reserve	$1,708,341
Deferred Developer Fee	$18,509,232
GP Equity	$17,054,660
Tax Credit Equity	$15,268,286

Permanent Financing

Source	Amount
Citibank	$70,000,000
Short Term Work Reserve	$1,708,341
Deferred Developer Fee	$18,705,853
GP Equity	$17,054,660
Tax Credit Equity	$45,071,665
TOTAL	**$152,540,519**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$46,610,245
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$96,252,056
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$60,593,319
Qualified Basis (Acquisition):	$96,252,056
Applicable Rate:	3.24%
Maximum Annual Federal Credit, Rehabilitation:	$1,939,414
Maximum Annual Federal Credit, Acquisition:	$3,118,567
Total Maximum Annual Federal Credit:	$5,057,981
Approved Developer Fee (in Project Cost & Eligible Basis):	$18,705,853
Investor/Consultant:	Raymond James
Federal Tax Credit Factor:	$0.89110

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:	$142,862,301
Actual Eligible Basis:	$142,862,301
Unadjusted Threshold Basis Limit:	$135,768,792
Total Adjusted Threshold Basis Limit:	$149,345,671

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: 10%

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

The applicant has requested the use of a CUAC utility allowance. TCAC staff is in the process of reviewing the CUAC documentation for this existing 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

Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-2001-831). 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-2001-831) is a qualified low-income household for the subsequent allocation (existing household eligibility is "grandfathered").

The project is a resyndication where the existing regulatory agreement requires service amenities. The project shall provide a similar or greater level of services for a period of at least 15 years under the new regulatory agreement. The project has not met this requirement based on TCAC staff's review of the application. The applicant is required to provide the required services documentation within 20 days of this staff report (with the acceptance of the tax credit reservation).

The project is currently subject to a Capital Needs Agreement due to a prior Transfer Event. There is a replacement reserve in the amount of $1,708,341 which will continue to stay with the project. The Short Term Work required by the Capital Needs Agreement has not been completed. Tax credits shall not pay for work funded already by the seller from the Initial Transfer Event through the Short Term Work Reserve Account. The applicant must include the Short Term Work reserve funds required by the Capital Needs Agreement as a financing source in the re-syndication.

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 $1,689,241. In consideration of the Short Term Work requirement, the seller of the project has given a credit in the amount of at least $1,689,241. As a result of the seller credit, the project is allowed to receive eligible basis for the entire Short Term Work amount, excluding the work funded by the CNA Reserve (see above paragraph).

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.