

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

Benton Park Cottages, located at 2341 Terrace Way & 308 Stephens Drive in Bakersfield, requested and is being recommended for a reservation of \$273,973 in annual federal tax credits and \$2,536,783 in total state tax credits to finance the new construction of 36 units of housing serving tenants with rents affordable to households earning 30 - 60% AMI of area median income (AMI). The project will be developed by Housing Authority of the County of Kern and will be located in Senate District 16 and Assembly District 34.

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

Project Number	CA-20-497	
Project Name	Benton Park Cottages	
	<u>Site 1</u>	<u>Site 2</u>
Site Address:	2341 Terrace Way Bakersfield, CA 93304	308 Stephens Drive Bakersfield, CA 93304
Census Tract:	27.00	
County:	Kern	

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$273,973	\$2,536,783
Recommended:	\$273,973	\$2,536,783

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

Applicant Information

Applicant:	Housing Authority of the County of Kern
Contact:	Stephen Pelz
Address:	601 24th Street Bakersfield, CA 93301
Phone:	661-631-8500
Email:	spelz@kernha.org
General Partner(s) or Principal Owner(s):	Housing Authority of the County of Kern Golden Empire Affordable Housing Inc.
General Partner Type:	Nonprofit
Parent Company(ies):	Housing Authority of the County of Kern Golden Empire Affordable Housing Inc.
Developer:	Housing Authority of the County of Kern
Investor/Consultant:	Bank of America, N.A.
Management Agent:	Housing Authority of the County of Kern

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 9
 Total # of Units: 37
 No. / % of Low Income Units: 36 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (18 units / 49%)

Bond Information

Issuer: Housing Authority of the County of Kern
 Expected Date of Issuance: September 1, 2020

Information

Housing Type: Non-Targeted
 Geographic Area: Central Valley Region
 TCAC Project Analyst: Jonghyun Shim

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI: 18	50%
50% AMI: 3	8%
60% AMI: 15	42%

Unit Mix

36 1-Bedroom Units
1 3-Bedroom Units
 37 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>
18 1 Bedroom	30%	28%	\$336
3 1 Bedroom	50%	49%	\$594
15 1 Bedroom	60%	49%	\$594
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$295,000
Construction Costs	\$5,352,960
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$267,648
Soft Cost Contingency	\$125,000
Relocation	\$0
Architectural/Engineering	\$385,000
Const. Interest, Perm. Financing	\$420,863
Legal Fees	\$200,000
Reserves	\$140,000
Other Costs	\$968,356
Developer Fee	\$1,005,663
Commercial Costs	\$0
Total	\$9,160,490

Residential

Construction Cost Per Square Foot:	\$228
Per Unit Cost:	\$247,581
True Cash Per Unit Cost*:	\$243,437

Construction Financing

Source	Amount
Pacific Western Bank -TE	\$5,250,000
County of Kern - HOME	\$2,000,000
Deferred Costs	\$1,062,238
Tax Credit Equity	\$848,252

Permanent Financing

Source	Amount
Pacific Western Bank	\$600,000
HCD No Place Like Home	\$2,165,904
County of Kern - HOME	\$2,000,000
Deferred Developer Fee	\$153,328
Tax Credit Equity	\$4,241,258
TOTAL	\$9,160,490

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$8,455,950
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$8,455,950
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	\$273,973
Total State Credit:	\$2,536,783
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,005,663
Investor/Consultant:	Bank of America, N.A.
Federal Tax Credit Factor:	\$0.89991
State Tax Credit Factor:	\$0.70000

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:	\$8,455,950
Actual Eligible Basis:	\$8,455,950
Unadjusted Threshold Basis Limit:	\$10,283,384
Total Adjusted Threshold Basis Limit:	\$22,491,968

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: 9%
55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 110%

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

This project involves the new construction of 2 scattered-sites. The sites will consist of 9 residential buildings and 2 community buildings located in the city of Bakersfield.

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.