

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

Childs & B Street TOD Affordable Housing, located at 1137 B Street in Merced, requested and is being recommended for a reservation of \$1,820,438 in annual federal tax credits and \$5,724,078 in state tax credits to finance the new construction of 118 units of housing serving large families with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by The Richman Group of California Development Company, LLC and will be located in Senate District 12 and Assembly District 21.

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 AHSC program of HCD.

**Project Number** CA-20-517

**Project Name** Childs & B Street TOD Affordable Housing  
 Site Address: 1137 B Street  
 Merced, CA 95341 County: Merced  
 Census Tract: 16.01

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total *</b>
Requested:	\$1,820,438	\$5,724,078
Recommended:	\$1,820,438	\$5,724,078

\* The applicant made an election to sell (Certificate) all or any portion of the state credits.

**Applicant Information**

Applicant: Central Valley Coalition for Affordable Housing  
 Contact: Christina Alley  
 Address: 3351 "M" Street, Suite 100  
 Merced, CA 95318  
 Phone: (209) 388-0782  
 Email: westbergr@richmancapital.com

General Partner(s) or Principal Owner(s): Central Valley Coalition for Affordable Housing  
 Merced CA GP, LLC

General Partner Type: Joint Venture

Parent Company(ies): Central Valley Coalition for Affordable Housing  
 Richman Group of California

Developer: The Richman Group of CA Development Co., LLC

Investor/Consultant: Richman Group Affordable Housing Corporation

Management Agent: Richman Property Services

**Project Information**

Construction Type: New Construction

Total # Residential Buildings: 5

Total # of Units: 119

No. / % of Low Income Units: 118 100.00%

Federal Set-Aside Elected: 40%/60%

Federal Subsidy: Tax-Exempt / HUD Project-based Vouchers (30 units - 25%)

**Bond Information**

Issuer: California Statewide Communities Development Authority

Expected Date of Issuance: March 18, 2020

**Information**

Housing Type: Large Family

Geographic Area: Central Valley Region

TCAC Project Analyst: Prashil Keshav

**55-Year Use / Affordability**

<u>Aggregate Targeting</u>		<u>Percentage of</u>
<u>Number of Units</u>		<u>Affordable Units</u>
30% AMI:	30	25%
50% AMI:	88	75%

**Unit Mix**

47 1-Bedroom Units

36 2-Bedroom Units

36 3-Bedroom Units

119 Total Units

<u>Unit Type &amp; 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>
30 1 Bedroom	30%	30%	\$364
17 1 Bedroom	50%	50%	\$608
35 2 Bedrooms	50%	50%	\$730
36 3 Bedrooms	50%	50%	\$842
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$1,830,000
Construction Costs	\$29,734,354
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$1,500,468
Soft Cost Contingency	\$150,000
Relocation	\$0
Architectural/Engineering	\$2,048,140
Const. Interest, Perm. Financing	\$2,915,000
Legal Fees	\$85,000
Reserves	\$1,244,743
Other Costs	\$3,021,600
Developer Fee	\$5,700,000
Commercial Costs	\$0
<b>Total</b>	<b>\$48,229,305</b>

**Residential**

Construction Cost Per Square Foot:	\$264
Per Unit Cost:	\$405,288
True Cash Per Unit Cost*:	\$404,448

**Construction Financing**

<u>Source</u>	<u>Amount</u>
Bank of America Merrill Lynch	\$27,333,716
City of Merced	\$6,580,000
CCAH	\$2,500,000
Deferred Fees	\$1,606,500
Deferred Costs	\$1,244,743
Deferred Developer Fee	\$5,700,000
Tax Credit Equity	\$3,264,346

**Permanent Financing**

<u>Source</u>	<u>Amount</u>
Bank of America Merrill Lynch	\$3,000,000
City of Merced	\$6,580,000
CCAH	\$2,500,000
HCD-AHSC	\$11,087,000
Deferred Developer Fee	\$100,000
Developer Contribution	\$3,200,000
Tax Credit Equity	\$21,762,305
<b>TOTAL</b>	<b>\$48,229,305</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$44,035,762
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$57,246,491
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	\$1,820,438
Total State Credit:	\$5,724,078
Approved Developer Fee (in Project Cost & Eligible Basis):	\$5,700,000
Investor/Consultant:	Richman Group Affordable Housing Corporation
Federal Tax Credit Factor:	\$0.94390
State Tax Credit Factor:	\$0.80000

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:	\$44,035,762
Actual Eligible Basis:	\$44,035,762
Unadjusted Threshold Basis Limit:	\$43,962,827
Total Adjusted Threshold Basis Limit:	\$98,476,732

**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: 81%  
55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 55%

**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 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 project site is a portion of a 5.06 acre property. Of the 5.06 acres, 4.03 acres of the property will be for the new construction of 119 units. The remaining 1.02 acres will become a passive park and neighborhood storm drainage. The lot line adjustments must be completed prior to submission of the placed in service application.

**Resyndication and Resyndication Transfer Event:** None

As required by the IRS, the newly resyndicated project will continue to use the originally assigned Building Identification Numbers (BINs).

**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.