

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

Pioneer Cottages, located at 3141 Pioneer Drive in Bakersfield, requested and is being recommended for a reservation of \$368,009 in annual federal tax credits and \$2,240,593 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% of area median income (AMI). The project will be developed by Golden Empire Affordable Housing, Inc. and will be located in Senate District 14 and Assembly District 32.

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.

<b>Project Number</b>	CA-20-525		
<b>Project Name</b>	Pioneer Cottages		
Site Address:	3141 Pioneer Drive		
	Bakersfield, CA 93306	County:	Kern
Census Tract:	11.02		

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total *</b>
Requested:	\$368,009	\$2,240,593
Recommended:	\$368,009	\$2,240,593

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

**Applicant Information**

Applicant:	Golden Empire Affordable Housing, Inc
Contact:	Stephen Pelz
Address:	601 24th Street Suite B Bakersfield, CA 93301
Phone:	661-631-8500
Email:	spelz@kernha.org

General Partner(s) or Principal Owner(s):	GEAHI Pioneer Cottages, LLC
General Partner Type:	Nonprofit
Parent Company(ies):	Golden Empire Affordable Housing, Inc
Developer:	Golden Empire Affordable Housing, Inc
Investor/Consultant:	PNC Bank
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 / HOME / NSP / HUD Section 8 Project-based Vouchers  
 (18 units - 50%)

**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: Carmen Doonan

**55-Year Use / Affordability**

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI: 18	50%
50% AMI: 6	17%
60% AMI: 12	33%

**Unit Mix**

36 1-Bedroom Units
1 3-Bedroom Units
<u>37 Total Units</u>

<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>
18 1 Bedroom	30%	28%	\$336
6 1 Bedroom	50%	47%	\$575
12 1 Bedroom	60%	47%	\$575
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

**Project Cost Summary at Application**

Land and Acquisition	\$215,100
Construction Costs	\$5,551,000
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$277,550
Soft Cost Contingency	\$200,000
Relocation	\$0
Architectural/Engineering	\$300,000
Const. Interest, Perm. Financing	\$485,200
Legal Fees	\$200,000
Reserves	\$435,000
Other Costs	\$974,389
Developer Fee	\$1,039,000
Commercial Costs	\$0
<b>Total</b>	<b>\$9,677,239</b>

**Residential**

Construction Cost Per Square Foot:	\$253
Per Unit Cost:	\$261,547
True Cash Per Unit Cost*:	\$261,538

**Construction Financing**

<u>Source</u>	<u>Amount</u>
Pacific Western Bank - T.E.	\$5,370,269
Pacific Western Bank - Taxable	\$629,731
County of Kern - HOME	\$1,000,000
County of Kern - NSP	\$630,320
Deferred Costs	\$1,281,286
Tax Credit Equity	\$765,633

**Permanent Financing**

<u>Source</u>	<u>Amount</u>
Pacific Western Bank	\$350,000
County of Kern - HOME	\$1,000,000
County of Kern - NSP	\$630,320
NPLH Competitive	\$1,842,364
NPLH Non-Competitive	\$750,000
Deferred Developer Fee	\$334
Tax Credit Equity	\$5,104,221
<b>TOTAL</b>	<b>\$9,677,239</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$8,737,148
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$11,358,292
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	\$368,009
Total State Credit:	\$2,240,593
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,039,000
Investor/Consultant:	PNC Bank
Federal Tax Credit Factor:	\$0.89991
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:	\$8,737,148
Actual Eligible Basis:	\$8,737,148
Unadjusted Threshold Basis Limit:	\$11,304,244
Total Adjusted Threshold Basis Limit:	\$24,417,167

**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: 16%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 100%

**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:** None.

**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.