

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report  
Tax-Exempt Bond Project  
April 14, 2020**

Kawana Springs Apartments, located at 450 and 500 Kawana Springs Road in Santa Rosa, requested and is being recommended for a reservation of \$2,291,550 in annual federal tax credits and \$10,130,169 in total state tax credits to finance the new construction of 134 units of housing with rents affordable to households earning 50-70% of area median income (AMI). The project will be developed by Corporation for Better Housing and will be located in Senate District 2 and Assembly District 10.

The project financing includes state funding from CalHFA's Mixed-Income Program (MIP).

**Project Number** CA-20-520

**Project Name** Kawana Springs Apartments  
**Site Address:** 450-500 Kawana Springs Road  
Santa Rosa, CA 95404 County: Sonoma  
**Census Tract:** 1514.02

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total *</b>
Requested:	\$2,291,550	\$10,130,169
Recommended:	\$2,291,550	\$10,130,169

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

**Applicant Information**

**Applicant:** 500 Kawana Springs Rd., L.P.  
**Contact:** Lori Koester  
**Address:** 20750 Ventura Blvd., Suite 155  
Woodland Hills, CA 91364  
**Phone:** 818-905-2430  
**Email:** lkoester@corpoffices.org

**General Partner(s) or Principal Owner(s):** Corporation for Better Housing  
Integrated Community Development  
**General Partner Type:** Joint Venture  
**Parent Company(ies):** Corporation for Better Housing  
Integrated Community Development  
**Developer:** Corporation for Better Housing  
**Investor/Consultant:** Alliant Capital, Ltd  
**Management Agent:** WinnResidential

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 1  
 Total # of Units: 151  
 No. / % of Low Income Units: 134 89.93%  
 Federal Set-Aside Elected: 40%/60% Average Income  
 Federal Subsidy: Tax-Exempt  
 Utility Allowance: CUAC

**Bond Information**

Issuer: California Housing Finance Agency  
 Expected Date of Issuance: June 1, 2020

**Information**

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

**55-Year Use / Affordability**

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
50% AMI: 67	50%
70% AMI: 67	50%

**Unit Mix**

10 SRO/Studio Units
48 1-Bedroom Units
71 2-Bedroom Units
<u>22 3-Bedroom Units</u>
151 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>
4 SRO/Studio	50%	50%	\$945
4 SRO/Studio	70%	70%	\$1,323
21 1 Bedroom	50%	50%	\$1,012
21 1 Bedroom	70%	70%	\$1,417
32 2 Bedrooms	50%	50%	\$1,215
32 2 Bedrooms	70%	70%	\$1,701
10 3 Bedrooms	50%	50%	\$1,404
10 3 Bedrooms	70%	70%	\$1,965
2 1 Bedroom	Manager's Unit	Manager's Unit	\$0
2 SRO/Studio	Market Rate Unit	Market Rate Unit	\$1,701
4 1 Bedroom	Market Rate Unit	Market Rate Unit	\$1,823
7 2 Bedrooms	Market Rate Unit	Market Rate Unit	\$2,188
2 3 Bedrooms	Market Rate Unit	Market Rate Unit	\$2,527

**Project Cost Summary at Application**

Land and Acquisition	\$4,215,000
Construction Costs	\$40,349,245
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$2,017,462
Soft Cost Contingency	\$650,000
Relocation	\$0
Architectural/Engineering	\$1,469,000
Const. Interest, Perm. Financing	\$6,695,562
Legal Fees	\$295,000
Reserves	\$641,994
Other Costs	\$5,101,215
Developer Fee	\$7,260,000
Commercial Costs	\$0
<b>Total</b>	<b>\$68,694,478</b>

**Residential**

Construction Cost Per Square Foot:	\$248
Per Unit Cost:	\$454,930
True Cash Per Unit Cost*:	\$422,247

**Construction Financing**

Source	Amount
Pacific Western Bank	\$38,250,000
Pacific Western Bank Taxable Loan	\$15,250,000
Tax Credit Equity	\$8,005,853

**Permanent Financing**

Source	Amount
CalHFA	\$23,826,000
CalHFA MIP Loan	\$9,500,000
Deferred Developer Fee	\$4,935,163
Solar Equity	\$559,455
Tax Credit Equity	\$29,873,860
<b>TOTAL</b>	<b>\$68,694,478</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$60,495,409
130% High Cost Adjustment:	Yes
Applicable Fraction:	89.93%
Qualified Basis:	\$70,726,847
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	\$2,291,550
Total State Credit:	\$10,130,169
Approved Developer Fee (in Project Cost & Eligible Basis):	\$7,260,000
Investor/Consultant:	Alliant Capital, Ltd
Federal Tax Credit Factor:	\$0.95000
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:	\$60,495,409
Actual Eligible Basis:	\$60,495,409
Unadjusted Threshold Basis Limit:	\$59,625,936
Total Adjusted Threshold Basis Limit:	\$91,823,942

**Adjustments to Basis Limit**

95% of Upper Floor Units are Elevator-Serviced.  
55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 44%

**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, with the exception of the applicant's estimate of contractor profit, overhead and general requirements. See note below. 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 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:** 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.