

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

The Parkway Apartments, located at SW Corner of Blue Ravine Road & Oak Avenue Parkway in Folsom, requested and is being recommended for a reservation of \$1,116,554 in annual federal tax credits and \$3,950,00 in total state tax credits to finance the new construction of 71 units of housing serving large families with rents affordable to households earning 30-80% of area median income (AMI). The project will be developed by Pacific West Communities and will be located in Senate District 1 and Assembly

The project financing includes state funding from the MIP program of CalHFA.

Project Number CA-20-527

Project Name The Parkway Apartments
Site Address: SW Corner of Blue Ravine Road & Oak Avenue Parkway
 Folsom, CA 95630 County: Sacramento
Census Tract: 85.06

| Tax Credit Amounts | Federal/Annual | State/Total * |
|---------------------------|-----------------------|----------------------|
| Requested: | \$1,116,554 | \$3,950,000 |
| Recommended: | \$1,116,554 | \$3,950,000 * |

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

Applicant Information

Applicant: Folsom Pacific Associates, a California Limited Partnership
Contact: Caleb Roope
Address: 430 E. State Street, Suite 100
 Eagle, ID 83616
Phone: 208.461.0022
Email: calebr@tpchousing.com

General Partner(s) or Principal Owner(s): TPC Holdings VII, LLC
 Kelley Ventures, LLC
 Pacific Housing, Inc.

General Partner Type: Joint Venture

Parent Company(ies): The Pacific Companies
 Kelley Ventures, LLC
 Pacific Housing, Inc.

Developer: Pacific West Communities, Inc.

Investor/Consultant: Boston Capital

Management Agent: Aperto Property Management, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 5
 Total # of Units: 72
 No. / % of Low Income Units: 71 100.00%
 Federal Set-Aside Elected: 40%/60% Average Income
 Federal Subsidy: Tax-Exempt

Bond Information

Issuer: California Housing Finance Agency (CalHFA)
 Expected Date of Issuance: September 1, 2020

Information

Housing Type: Large Family
 Geographic Area: Capital Region
 TCAC Project Analyst: Prashil Keshav

55-Year Use / Affordability

| Aggregate Targeting Number of Units | Percentage of Affordable Units |
|--|---|
| 30% AMI: 4 | 6% |
| 50% AMI: 41 | 58% |
| 80% AMI: 26 | 37% |

Unit Mix

| |
|-----------------------|
| 18 1-Bedroom Units |
| 36 2-Bedroom Units |
| 18 3-Bedroom Units |
| 72 Total Units |

| Unit Type & Number | 2019 Rents Targeted % of Area Median Income | 2019 Rents Actual % of Area Median Income | Proposed Rent (including utilities) |
|-----------------------------------|--|--|--|
| 1 1 Bedroom | 30% | 30% | \$470 |
| 11 1 Bedroom | 50% | 50% | \$784 |
| 6 1 Bedroom | 80% | 80% | \$1,255 |
| 2 2 Bedrooms | 30% | 30% | \$564 |
| 20 2 Bedrooms | 50% | 50% | \$941 |
| 13 2 Bedrooms | 80% | 80% | \$1,506 |
| 1 3 Bedrooms | 30% | 30% | \$652 |
| 10 3 Bedrooms | 50% | 50% | \$1,086 |
| 7 3 Bedrooms | 80% | 80% | \$1,739 |
| 1 2 Bedrooms | Manager's Unit | Manager's Unit | \$0 |

Project Cost Summary at Application

| | |
|------------------------------------|---------------------|
| Land and Acquisition | \$1,635,000 |
| Construction Costs | \$17,228,410 |
| Rehabilitation Costs | \$0 |
| Construction Hard Cost Contingency | \$980,000 |
| Soft Cost Contingency | \$200,000 |
| Relocation | \$0 |
| Architectural/Engineering | \$645,000 |
| Const. Interest, Perm. Financing | \$1,527,750 |
| Legal Fees | \$60,000 |
| Reserves | \$292,651 |
| Other Costs | \$2,880,898 |
| Developer Fee | \$3,473,533 |
| Commercial Costs | \$0 |
| Total | \$28,923,242 |

Residential

| | |
|------------------------------------|-----------|
| Construction Cost Per Square Foot: | \$254 |
| Per Unit Cost: | \$401,712 |
| True Cash Per Unit Cost*: | \$385,024 |

Construction Financing

| <u>Source</u> | <u>Amount</u> |
|-----------------------------------|---------------|
| California Bank & Trust | \$2,200,000 |
| California Bank & Trust - Taxable | \$16,800,000 |
| City of Folsom - AHL ¹ | \$4,680,000 |
| County of Sacramento - Fee Waiver | \$121,545 |
| Deferred Cost | \$292,651 |
| Deferred Developer Fee | \$3,473,533 |
| Tax Credit Equity | \$1,355,513 |

Permanent Financing

| <u>Source</u> | <u>Amount</u> |
|-----------------------------------|---------------------|
| CalHFA - Perm Loan | \$6,800,000 |
| CalHFA - MIP Loan | \$3,350,000 |
| City of Folsom - AHL ¹ | \$4,680,000 |
| County of Sacramento - Fee Waiver | \$121,545 |
| Deferred Developer Fee | \$1,080,000 |
| Tax Credit Equity | \$12,891,697 |
| TOTAL | \$28,923,242 |

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

¹ AHL - Affordable Housing Loan

Determination of Credit Amount(s)

| | |
|--|----------------|
| Requested Eligible Basis: | \$26,508,881 |
| 130% High Cost Adjustment: | Yes |
| Applicable Fraction: | 100.00% |
| Qualified Basis: | \$34,461,545 |
| Applicable Rate: | 3.24% |
| Total Maximum Annual Federal Credit: | \$1,116,554 |
| Total State Credit: | \$3,950,000 |
| Approved Developer Fee (in Project Cost & Eligible Basis): | \$3,473,533 |
| Investor/Consultant: | Boston Capital |
| Federal Tax Credit Factor: | \$0.89991 |
| State Tax Credit Factor: | \$0.71993 |

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: | \$26,508,881 |
| Actual Eligible Basis: | \$26,508,881 |
| Unadjusted Threshold Basis Limit: | \$26,863,002 |
| Total Adjusted Threshold Basis Limit: | \$49,778,201 |

Adjustments to Basis Limit

Local Development Impact Fees

Highest or High Resource Opportunity Area

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 57%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 11%

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: 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.