

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**Tax-Exempt Bond Project**

**April 14, 2020**

Beacon Villa, L.P., located at 505 West 10th Street in Pittsburg, requested and is being recommended for a reservation of \$1,266,490 in annual federal tax credits and \$3,779,354 in total state tax credits to finance the new construction of 53 units of housing serving large families with rents affordable to households earning 50%-70% AMI of area median income (AMI). The project will be developed by Meta Housing Corporation and will be located in Senate District 7 and Assembly District 14.

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

**Project Number** CA-20-537

**Project Name** Beacon Villa  
**Site Address:** 505 West 10th Street  
Pittsburg, CA 94565 County: Contra Costa  
**Census Tract:** 3100.00

<b>Tax Credit Amounts</b>	<b>Federal/Annual</b>	<b>State/Total *</b>
Requested:	\$1,266,490	\$3,779,354
Recommended:	\$1,266,490	\$3,779,354

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

**Applicant Information**

**Applicant:** Beacon Villa, L.P.  
**Contact:** Aaron Mandel  
**Address:** 11150 W. Olympic Blvd, Suite 620  
Los Angeles, CA 90064  
**Phone:** (310) 575-3543  
**Email:** amandel@metahousing.com

**General Partner(s) or Principal Owner(s):** Beacon Villa, LLC  
FFAH V Beacon Villa, LLC

**General Partner Type:** Joint Venture

**Parent Company(ies):** Meta Housing Corporation  
Foundation for Affordable Housing, Inc.

**Developer:** Meta Housing Corporation

**Investor/Consultant:** RBC Capital Markets

**Management Agent:** Cambridge Real Estate Services

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 5  
 Total # of Units: 54  
 No. / % of Low Income Units: 53 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt

**Bond Information**

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

**Information**

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

**55-Year Use / Affordability**

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
50% AMI: 6	11%
60% AMI: 41	77%
70% AMI: 6	11%

**Unit Mix**

14 1-Bedroom Units  
 40 4-Bedroom Units  


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 54 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>
2 1 Bedroom	50%	50%	\$1,162
6 1 Bedroom	60%	60%	\$1,394
6 1 Bedroom	70%	70%	\$1,627
4 4 Bedrooms	50%	50%	\$1,797
35 4 Bedrooms	60%	60%	\$2,156
1 4 Bedrooms	Manager's Unit	Manager's Unit	\$2,749

**Project Cost Summary at Application**

Land and Acquisition	\$1,567,170
Construction Costs	\$18,744,276
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$937,214
Soft Cost Contingency	\$297,000
Relocation	\$0
Architectural/Engineering	\$1,874,318
Const. Interest, Perm. Financing	\$2,367,436
Legal Fees	\$173,250
Reserves	\$261,931
Other Costs	\$3,060,900
Developer Fee	\$3,544,894
Commercial Costs	\$331,600
<b>Total</b>	<b>\$33,159,987</b>

**Residential**

Construction Cost Per Square Foot:	\$242
Per Unit Cost:	\$607,933
True Cash Per Unit Cost*:	\$581,339

**Construction Financing**

Source	Amount
Citibank - Tax Exempt	\$19,000,000
Citibank - Taxable	\$8,000,000
Deferred Reserves	\$264,577
Deferred Developer Fee	\$2,923,529
Tax Credit Equity - Federal	\$2,355,435
Tax Credit Equity - State	\$616,446

**Permanent Financing**

Source	Amount
CalHFA	\$10,500,000
CHFA-MIP	\$6,350,000
Deferred Developer Fee	\$1,450,579
Tax Credit Equity	\$14,859,408
<b>TOTAL</b>	<b>\$33,159,987</b>

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

**Determination of Credit Amount(s)**

Requested Eligible Basis:	\$30,068,606
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$39,089,187
Applicable Rate:	3.24%
Maximum Annual Federal Credit:	\$1,266,490
Total State Credit:	\$3,779,354
Approved Developer Fee (in Project Cost & Eligible Basis):	\$3,544,894
Investor/Consultant:	RBC Capital Markets
Federal Tax Credit Factor:	\$0.93455
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:	\$30,068,606
Actual Eligible Basis:	\$30,068,606
Unadjusted Threshold Basis Limit:	\$32,236,172
Total Adjusted Threshold Basis Limit:	\$40,904,398

**Adjustments to Basis Limit**

Local Development Impact Fees

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: 12%

**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**

Staff noted a per unit cost of \$607,933. The applicant noted that the high per unit cost is attributed to soil conditions, City of Pittsburg requirements, and larger units than a typical multifamily project.

**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.