

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

The Redwood Apartments, located at 3422 Santa Rosa Avenue in Santa Rosa, requested and is being recommended for a reservation of \$1,737,240 in annual federal tax credits and \$5,700,000 in total state tax credits to finance the new construction of 95 units of housing serving large families with rents affordable to households earning 50%-70% of area median income (AMI). The project will be developed by Pacific West Communities, Inc. and will be located in Senate District 2 and Assembly District 4.

The project financing includes state funding from the MIP through CalHFA.

Project Number CA-20-542

Project Name The Redwood Apartments
Site Address: 3422 Santa Rosa Avenue
 Santa Rosa, CA 95407 County: Sonoma
Census Tract: 1514.02

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$1,737,240	\$5,700,000
Recommended:	\$1,737,240	\$5,700,000

* 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,
 a California Nonprofit Public Benefit Corporation

Contact: Christina Alley
Address: 3351 M Street, Suite 100
 Merced, CA 95348

Phone: 209.388.0782
Email: chris@centralvalleycoalition.com

General Partner(s) or Principal Owner(s): TPC Holdings VII, LLC
 Central Valley Coalition for Affordable Housing

General Partner Type: Joint Venture

Parent Company(ies): The Pacific Companies
 Central Valley Coalition for Affordable Housing

Developer: Pacific West Communities, Inc.

Investor/Consultant: Boston Capital

Management Agent: Aperto Property Management, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 4
 Total # of Units: 96
 No. / % of Low Income Units: 95 100.00%
 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: Northern Region
 TCAC Project Analyst: Jonghyun Shim

55-Year Use / Affordability

Aggregate Targeting Number of Units	Percentage of Affordable Units
50% AMI: 48	51%
70% AMI: 47	49%

Unit Mix

12 1-Bedroom Units
60 2-Bedroom Units
24 3-Bedroom Units
96 Total Units

Unit Type & Number	2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
6 1 Bedroom	50%	50%	\$1,012
6 1 Bedroom	70%	70%	\$1,417
30 2 Bedrooms	50%	50%	\$1,215
29 2 Bedrooms	70%	70%	\$1,701
12 3 Bedrooms	50%	50%	\$1,404
12 3 Bedrooms	70%	70%	\$1,966
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$1,087,971
Construction Costs	\$26,823,143
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$1,500,000
Soft Cost Contingency	\$800,000
Relocation	\$0
Architectural/Engineering	\$645,000
Const. Interest, Perm. Financing	\$2,365,900
Legal Fees	\$60,000
Reserves	\$746,938
Other Costs	\$3,528,177
Developer Fee	\$5,379,784
Commercial Costs	\$0
Total	\$42,936,913

Residential

Construction Cost Per Square Foot:	\$325
Per Unit Cost:	\$447,260
True Cash Per Unit Cost*:	\$417,262

Construction Financing

Source	Amount
California Bank & Trust - Tax-Exer	\$24,000,000
California Bank & Trust - Taxable	\$10,000,000
Deferred Costs	\$746,938
Deferred Developer Fee	\$5,379,784
Tax Credit Equity	\$2,810,191

Permanent Financing

Source	Amount
California Bank & Trust - Tax-Exempt	\$15,000,000
CalHFA - MIP	\$4,750,000
Deferred Developer Fee	\$2,879,784
Tax Credit Equity	\$20,307,129
TOTAL	\$42,936,913

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$41,245,011
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$53,618,514
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	\$1,737,240
Total State Credit:	\$5,700,000
Approved Developer Fee (in Project Cost & Eligible Basis):	\$5,379,784
Investor/Consultant:	Boston Capital
Federal Tax Credit Factor:	\$0.89991
State Tax Credit Factor:	\$0.81992

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:	\$41,245,011
Actual Eligible Basis:	\$41,245,011
Unadjusted Threshold Basis Limit:	\$43,730,184
Total Adjusted Threshold Basis Limit:	\$68,496,989

Adjustments to Basis Limit

Local Development Impact Fees

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

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.