

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
September 16, 2020**

Benton Park Cottages, located at 2341 Terrace Way in Bakersfield, requested and is being recommended for a reservation of \$249,566 in annual federal tax credits to finance the new construction of 24 units of housing serving tenants with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by the Housing Authority of the County of Kern and will be located in Senate District 16 and Assembly District 34.

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.

Project Number CA-20-583

Project Name Benton Park Cottages
Site Address: 2341 Terrace Way
Bakersfield, CA 93304 **County:** Kern
Census Tract: 27.00

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$249,566	\$0
Recommended:	\$249,566	\$0

Applicant Information

Applicant: Housing Authority of the County of Kern
Contact: Stephen Pelz
Address: 601 24th Street
Bakersfield, CA 93301
Phone: 661-631-8500
Email: spelz@kernha.org

General Partner(s) or Principal Owner(s): Housing Authority of the County of Kern
Golden Empire Affordable Housing, Inc.
General Partner Type: Nonprofit
Parent Company(ies): Housing Authority of the County of Kern
Golden Empire Affordable Housing, Inc.
Developer: Housing Authority of the County of Kern
Investor/Consultant: PNC Bank
Management Agent: Housing Authority of the County of Kern

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 8
 Total # of Units: 25
 No. / % of Low Income Units: 24 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Vouchers (25% / 18 Units) and HOME

Bond Information

Issuer: Housing Authority of the County of Kern
 Expected Date of Issuance: December 31, 2020

Information

Housing Type: Non-Targeted
 Geographic Area: Central Valley Region: Kern County
 TCAC Project Analyst: Jack Waegell

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI: 12	50%
50% AMI: 6	25%
60% AMI: 6	25%

Unit Mix

16 1-Bedroom Units
9 3-Bedroom Units
<u>25 Total Units</u>

<u>Unit Type & Number</u>	<u>2020 Rents Targeted % of Area Median Income</u>	<u>2020 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
12 1 Bedroom	30%	26%	\$336
4 1 Bedroom	60%	45%	\$594
6 3 Bedrooms	50%	43%	\$775
2 3 Bedrooms	60%	43%	\$775
1 3 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$235,000
Construction Costs	\$5,283,360
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$264,168
Soft Cost Contingency	\$75,000
Relocation	\$0
Architectural/Engineering	\$305,000
Const. Interest, Perm. Financing	\$337,363
Legal Fees	\$200,000
Reserves	\$188,000
Other Costs	\$546,329
Developer Fee	\$916,174
Commercial Costs	\$0
Total	\$8,350,394

Residential

Construction Cost Per Square Foot:	\$269
Per Unit Cost:	\$334,016
True Cash Per Unit Cost*:	\$321,051

Construction Financing

Source	Amount
Pacific Western Bank - Series A**	\$4,750,000
Pacific Western Bank - Series B***	\$250,000
County of Kern - HOME	\$2,000,000
Deferred Costs	\$901,220
Tax Credit Equity	\$449,174

Permanent Financing

Source	Amount
Pacific Western Bank Loan	\$1,200,000
HCD - No Place Like Home	\$2,165,904
HACK - Loan****	\$365,000
County of Kern - HOME	\$2,000,000
Deferred Developer Fee	\$324,122
Solar Tax Credit Equity	\$49,500
Tax Credit Equity	\$2,245,868
TOTAL	\$8,350,394

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

** Tax-exempt Loan

*** Taxable Loan

**** HACK - Housing Authority of the County of Kern - Loan

Determination of Credit Amount(s)

Requested Eligible Basis:	\$7,702,648
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$7,702,648
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	\$249,566
Approved Developer Fee (in Project Cost & Eligible Basis):	\$916,174
Investor/Consultant:	PNC Bank
Federal Tax Credit Factor:	\$0.89991

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:	\$7,702,648
Actual Eligible Basis:	\$7,702,648
Unadjusted Threshold Basis Limit:	\$9,001,552
Total Adjusted Threshold Basis Limit:	\$20,253,492

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: 25%
- 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.