

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

September 16, 2020

St Michael's Community Housing, located at 4070 Jackson Street in Riverside, requested and is being recommended for a reservation of \$783,693 in annual federal tax credits to finance the new construction of 49 units of housing serving tenants with rents affordable to households earning 30-80% of area median income (AMI). The project will be developed by Community Development Partners and will be located in Senate District 31 and Assembly District 60.

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-20-613

Project Name St Michael's Community Housing
Site Address: 4070 Jackson Street
Riverside, CA 92503 County: Riverside
Census Tract: 316.02

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$783,693	\$0
Recommended:	\$783,693	\$0

Applicant Information

Applicant: St Michaels, LP
Contact: Kyle Paine
Address: 3416 Via Oporto, Suite 301
Newport Beach, CA 92663
Phone: (949) 922-3578
Email: kyle@communitydevpartners.com

General Partner(s) or Principal Owner(s): St Michaels CDP LLC
St Michaels Mercy House CHDO LLC

General Partner Type: Joint Venture

Parent Company(ies): Community Development Partners
Mercy House Living Centers

Developer: Community Development Partners

Investor/Consultant: Aegon Real Assets

Management Agent: Solari Enterprises, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 1
 Total # of Units: 50
 No. / % of Low Income Units: 49 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt/HUD Section 8 Project-based Vouchers (24 Units - 49%)

Bond Information

Issuer: California Statewide Communities Development Authority
 Expected Date of Issuance: February 15, 2021

Information

Housing Type: Non-Targeted
 Geographic Area: Inland Empire Region
 TCAC Project Analyst: Franklin Cui

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI: 24	49%
50% AMI: 1	2%
60% AMI: 14	29%
80% AMI: 10	20%

Unit Mix

30 1-Bedroom Units
20 2-Bedroom Units
<u>50 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>
19 1 Bedroom	30%	30%	\$424
1 1 Bedroom	50%	50%	\$706
6 1 Bedroom	60%	60%	\$848
3 1 Bedroom	80%	80%	\$1,131
5 2 Bedrooms	30%	30%	\$508
8 2 Bedrooms	60%	60%	\$1,017
7 2 Bedrooms	80%	80%	\$1,356
1 1 Bedroom	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$0
Construction Costs	\$13,139,683
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$652,484
Soft Cost Contingency	\$50,000
Relocation	\$0
Architectural/Engineering	\$723,484
Const. Interest, Perm. Financing	\$1,306,229
Legal Fees	\$175,000
Reserves	\$252,297
Other Costs	\$1,107,178
Developer Fee	\$2,213,070
Commercial Costs	\$0
Total	\$19,619,425

Residential

Construction Cost Per Square Foot:	\$398
Per Unit Cost:	\$392,389
True Cash Per Unit Cost*:	\$381,836

Construction Financing

Source	Amount
Citi Community Capital	\$10,947,285
Citi Community Capital	\$3,000,000
City of Riverside	\$2,000,000
Deferred Developer Fee	\$2,213,070
Tax Credit Equity	\$1,459,070

Permanent Financing

Source	Amount
City Community Capital	\$5,471,672
HCD - NPLH	\$4,331,808
City of Riverside	\$2,000,000
Deferred Developer Fee	\$527,604
Tax Credit Equity	\$7,288,341
TOTAL	\$19,619,425

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$18,606,186
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$24,188,042
Applicable Rate:	3.24%
Total Maximum Annual Federal Credit:	\$783,693
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,213,070
Investor/Consultant:	Aegon Real Assets
Federal Tax Credit Factor:	\$0.93000

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:	\$18,606,186
Actual Eligible Basis:	\$18,606,186
Unadjusted Threshold Basis Limit:	\$14,825,060
Total Adjusted Threshold Basis Limit:	\$34,604,858

Adjustments to Basis Limit

Required to Pay State or Federal Prevailing Wages/Financed by labor-affiliated organization employing construction workers paid at least state or federal prevailing wages

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: 2%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 106%

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

The reservation of tax credits is contingent upon verification by HUD of the rental subsidy contract rent amounts within 180 days of the date of reservation.

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.

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.