

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 9, 2020

Oroville Apartments, located at 39 Nelson Avenue in Oroville, requested and is being recommended for a reservation of \$220,582 in annual federal tax credits to finance the acquisition and rehabilitation of 61 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Highland Property Development and is located in Senate District 4 and Assembly District 3.

Oroville Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Oroville Apartments (CA-03-855) See **Resyndication and Resyndication Transfer Event** below for additional information. The project will be receiving rental assistance in the form of HUD Section 8 Project-based Contract, USDA 515 and, USDA 538 Rental Assistance.

Project Number	CA-20-683		
Project Name	Oroville Apartments		
Site Address:	39 Nelson Avenue		
	Oroville, CA 95965	County:	Butte
Census Tract:	25.00		

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$220,582	\$0
Recommended:	\$220,582	\$0

Applicant Information

Applicant:	Highland Property Development LLC
Contact:	Kristoffer J. Kaufmann
Address:	701 S. Myrtle Avenue Monrovia, CA 91016
Phone:	(626) 698-6361
Email:	k.kaufmann@highlandcompanies.com

General Partner(s) or Principal Owner(s):	Highland Property Development LLC Hearthstone CA Properties II, LLC
General Partner Type:	Joint Venture
Parent Company(ies):	Highland Property Development LLC Hearthstone Housing Foundation
Developer:	Highland Property Development
Investor/Consultant:	Boston Financial Investment Mgmt
Management Agent:	FPI Management

Project Information

Construction Type: Acquisition & Rehabilitation
 Total # Residential Buildings: 10
 Total # of Units: 62
 No. / % of Low Income Units: 61 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Project-based Contract (71 Units - 100%) /
 USDA RHS 515 / USDA 538

Bond Information

Issuer: CSCDA
 Expected Date of Issuance: December 9, 2020

Information

Housing Type: Non-Targeted
 Geographic Area: Northern Region
 TCAC Project Analyst: Jonghyun(Tommy), Shim

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
50% AMI: 19	31%
60% AMI: 42	69%

Unit Mix

12 1-Bedroom Units
 30 2-Bedroom Units
 20 3-Bedroom Units

 62 Total Units

<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>
4 1 Bedroom	50%	47%	\$627
8 1 Bedroom	60%	47%	\$627
9 2 Bedrooms	50%	50%	\$796
20 2 Bedrooms	60%	60%	\$949
6 3 Bedrooms	50%	50%	\$919
14 3 Bedrooms	60%	60%	\$1,103
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$2,231,000
Construction Costs	\$0
Rehabilitation Costs	\$3,225,240
Construction Hard Cost Contingency	\$279,000
Soft Cost Contingency	\$0
Relocation	\$50,000
Architectural/Engineering	\$91,000
Const. Interest, Perm. Financing	\$314,100
Legal Fees	\$167,000
Reserves	\$292,100
Other Costs	\$157,526
Developer Fee	\$809,776
Commercial Costs	\$0
Total	\$7,616,742

Residential

Construction Cost Per Square Foot:	\$57
Per Unit Cost:	\$122,851
True Cash Per Unit Cost*:	\$111,855

Construction Financing

Source	Amount
JP Morgan Chase	\$4,000,000
USDA RD 515	\$870,000
Net Operating Income	\$80,000
Deferred Developer Fee	\$681,703
Tax Credit Equity	\$1,985,039

Permanent Financing

Source	Amount
USDA 538	\$4,000,000
USDA RD 515	\$870,000
Net Operating Income	\$80,000
Deferred Developer Fee	\$681,703
Tax Credit Equity	\$1,985,039
TOTAL	\$7,616,742

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$4,601,676
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	\$2,206,440
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$4,601,676
Qualified Basis (Acquisition):	\$2,206,440
Applicable Rate:	3.24%
Maximum Annual Federal Credit, Rehabilitation:	\$149,093
Maximum Annual Federal Credit, Acquisition:	\$71,489
Total Maximum Annual Federal Credit:	\$220,582
Approved Developer Fee (in Project Cost & Eligible Basis):	\$809,776
Investor/Consultant:	Boston Financial Investment Mgmt
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:	\$6,808,116
Actual Eligible Basis:	\$6,808,116
Unadjusted Threshold Basis Limit:	\$25,694,816
Total Adjusted Threshold Basis Limit:	\$33,660,209

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: 31%

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

Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-03-855). To be eligible for a new award of tax credits, the owner must provide documentation with the Form 8609 request (the placed in service submission) that the acquisition date and the placed in service date both occurred after the existing federal 15 year compliance period was completed. For resyndications that were originally rehabilitation and acquisition, the resyndication acquisition date cannot occur before the last rehabilitation credit year of the original credit period.

As required by the IRS, the newly resyndicated project will continue to use the originally assigned Building Identification Numbers (BINs).

The newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreement(s) and any deeper targeting levels in the new regulatory agreement(s) for the duration of the new regulatory agreement(s). Existing households determined to be income-qualified for purposes of IRC §42 credit during the 15-year compliance period are concurrently income-qualified households for purposes of the extended use agreement. As a result, any household determined to be income qualified at the time of move-in under the existing regulatory agreement (CA-03-855) is a qualified low-income household for the subsequent allocation (existing household eligibility is “grandfathered”).

The project is a resyndication occurring concurrently with a Transfer Event without distribution of Net Project Equity, and thus is waived from the requirements under TCAC Regulation Section 10320(b)(4)(B).

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.