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

Willow Oaks Apartments, located at 1201 West Wood Street in Willows, requested and is being recommended for a reservation of $288,588 in annual federal tax credits to finance the acquisition and rehabilitation of 59 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.

Willow Oaks Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, CA-03-856. 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 Vouchers.

Project Number	CA-20-685	
Project Name	Willow Oaks Apartments	
Site Address:	1201 West Wood Street	
	Willows, CA 95988	County: Glenn
Census Tract:	104.00	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$288,558	$0
Recommended:	$288,558	$0

Applicant Information

Applicant:	HPD Willow Oaks LP
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):	Hearthstone Housing Foundation
	Highland Property Development LLC
Developer:	Highland Property Development
Investor/Consultant:	Boston Financial Investment Mgmt
Management Agent:	FPI Management

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	5
Total # of Units:	60
No. / % of Low Income Units:	59 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Vouchers (59 units - 100%)

Bond Information

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

Information

Housing Type:	Non-Targeted
Geographic Area:	Northern Region
TCAC Project Analyst:	Brett Andersen

55-Year Use / Affordability

Aggregate Targeting Number of Units		Percentage of Affordable Units
50% AMI:	18	31%
60% AMI:	41	69%

Unit Mix

20 1-Bedroom Units
32 2-Bedroom Units
8 3-Bedroom Units
60 Total Units

Unit Type & Number		2020 Rents Targeted % of Area Median Income	2020 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
5	1 Bedroom	50%	50%	$656
15	1 Bedroom	60%	60%	$787
10	2 Bedrooms	50%	50%	$787
22	2 Bedrooms	60%	60%	$945
3	3 Bedrooms	50%	50%	$908
4	3 Bedrooms	60%	60%	$1,090
1	3 Bedrooms	Manager's Unit	Manager's Unit	$0

Project Cost Summary at Application

Land and Acquisition	$2,264,000
Construction Costs	$0
Rehabilitation Costs	$3,814,800
Construction Hard Cost Contingency	$330,000
Soft Cost Contingency	$0
Relocation	$40,000
Architectural/Engineering	$76,000
Const. Interest, Perm. Financing	$295,763
Legal Fees	$119,500
Reserves	$292,200
Other Costs	$134,936
Developer Fee	$871,843
Commercial Costs	$0
Total	**$8,239,042**

Residential

Construction Cost Per Square Foot:	$77
Per Unit Cost:	$137,317
True Cash Per Unit Cost*:	$125,738

Construction Financing

Source	Amount
JP Morgan Chase	$4,500,000
USDA 515	$1,295,000
Net Operating Income	$110,250
Tax Credit Equity	$1,569,749

Permanent Financing

Source	Amount
Bonneville Mortgage Company	$3,600,000
USDA 515	$1,295,000
Deferred Developer Fee	$694,736
Net Operating Income	$110,250
Tax Credit Equity	$2,539,056
TOTAL	**$8,239,042**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$5,254,028
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$2,075,915
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$6,830,236
Qualified Basis (Acquisition):	$2,075,915
Applicable Rate:	3.24%
Maximum Annual Federal Credit, Acquisition:	$67,260
Total Maximum Annual Federal Credit:	$288,558
Approved Developer Fee (in Project Cost & Eligible Basis):	$871,843
Investor/Consultant:	Boston Financial Investment Mgmt
Federal Tax Credit Factor:	$0.87991

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:	$7,329,943
Actual Eligible Basis:	$7,329,943
Unadjusted Threshold Basis Limit:	$21,363,428
Total Adjusted Threshold Basis Limit:	$27,772,456

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: 30%

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 project's pro forma shows cash flow after debt service exceeding limits established by TCAC Regulations. Pursuant to TCAC Regulations 10327(g), the overage of cash flow is within the $5,000 limit allowed by Committee. The applicant must correct the cash flow overage in the readiness submission.

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-03-856). 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-03-856) is a qualified low-income household for the subsequent allocation (existing household eligibility is "grandfathered").

The project is a re-syndication occurring concurrently with a Transfer Event without distribution of Net Project Equity, and thus is waived from setting aside a Short Term Work Capitalized Replacement Reserve that is otherwise required.

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.