

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
April 28, 2021**

Sacramento Street Apartments, located at 2118 Sacramento Street in Vallejo, requested and is being recommended for a reservation of \$2,347,213 in annual federal tax credits and \$13,541,612 in total state tax credits to finance the new construction of 74 units of housing serving special needs tenants with rents affordable to households earning 20-40% of area median income (AMI). The project will be developed by Eden Housing, Inc. and will be located in Senate District 3 and Assembly District 14.

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-21-468

Project Name Sacramento Street Apartments
Site Address: 2118 Sacramento Street
Vallejo, CA 94590 County: Solano
Census Tract: 2517.01

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$2,347,213	\$13,541,612
Recommended:	\$2,347,213	\$13,541,612

* The applicant made an election to sell (Certificate) all or any portion of the state credits.

Applicant Information

Applicant: Vallejo PSH, L.P.
Contact: Andrea Osgood
Address: 22645 Grand Street
Hayward, CA 94541
Phone: 510-247-8103
Email: aosgood@edenhousing.org

General Partner(s) or Principal Owner(s): Vallejo PSH, LLC
General Partner Type: Nonprofit
Parent Company(ies): Eden Development, Inc.
Developer: Eden Housing, Inc.
Investor/Consultant: Community Economics, Inc.
Management Agent: Eden Housing Management, Inc.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 2
 Total # of Units: 75
 No. / % of Low Income Units: 74 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt/HUD Section 8 Project-based Vouchers (74 units-100%)/HOME

Bond Information

Issuer: California Municipal Finance Authority
 Expected Date of Issuance: September 15, 2021
 Credit Enhancement: None

Information

Housing Type: Special Needs
 Geographic Area: Northern Region
 TCAC Project Analyst: Ruben Barcelo

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI: 49	66%
40% AMI: 25	34%

Unit Mix

51 SRO/Studio Units
 18 1-Bedroom Units
 6 2-Bedroom Units

 75 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>
22 SRO/Studio	20%	20%	\$324
12 SRO/Studio	30%	30%	\$486
17 SRO/Studio	40%	40%	\$648
7 1 Bedroom	20%	20%	\$347
5 1 Bedroom	30%	30%	\$520
6 1 Bedroom	40%	40%	\$694
1 2 Bedrooms	20%	20%	\$416
2 2 Bedrooms	30%	30%	\$624
2 2 Bedrooms	40%	40%	\$833
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$3,932,558
Construction Costs	\$29,145,604
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$1,469,499
Soft Cost Contingency	\$348,998
Relocation	\$0
Architectural/Engineering	\$1,815,131
Const. Interest, Perm. Financing	\$2,378,933
Legal Fees	\$39,246
Reserves	\$908,851
Other Costs	\$4,798,273
Developer Fee	\$5,887,658
Commercial Costs	\$825,308
Total	\$51,550,058

Residential

Construction Cost Per Square Foot:	\$613
Per Unit Cost:	\$676,330
True Cash Per Unit Cost*:	\$664,418

Construction Financing

Source	Amount
Chase Bank Tax-Exempt	\$26,854,996
Chase Bank Taxable	\$6,616,940
City of Vallejo - Land Donation	\$3,660,000
City of Vallejo - LMIHAF/HOME	\$3,786,710
Cap Solano JPA - Sponsor Loan	\$1,500,000
Deferred Interest	\$94,632
Tax Credit Equity	\$3,266,237

Permanent Financing

Source	Amount
HCD - NPLH	\$6,056,211
City of Vallejo - Land Donation	\$3,660,000
City of Vallejo - LMIHAF/HOME	\$3,786,710
Cap Solano JPA - Sponsor Loan	\$1,500,000
Deferred Interest	\$94,632
Deferred Developer Fee	\$907,914
GP Equity	\$3,009,221
Tax Credit Equity	\$32,535,370
TOTAL	\$51,550,058

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$45,138,709
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$58,680,322
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	\$2,347,213
Total State Credit:	\$13,541,612
Approved Developer Fee (in Project Cost & Eligible Basis):	\$5,887,658
Investor/Consultant:	Community Economics, Inc.
Federal Tax Credit Factor:	\$0.92459
State Tax Credit Factor:	\$0.80000

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:	\$45,138,709
Actual Eligible Basis:	\$45,138,709
Unadjusted Threshold Basis Limit:	\$23,957,856
Total Adjusted Threshold Basis Limit:	\$74,131,078

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.

100% of the Low Income Units for Special Needs Population.

Local Development Impact Fees.

95% of Upper Floor Units are Elevator-Serviced.

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 33%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 132%

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 4.00% 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 development cost is in excess of \$660,000 per unit. Factors contributing to this include the project’s use of prevailing wages required by public funding sources, as well as design features that include construction of a concrete podium and a city zoning restriction that prohibits construction of residential units on the ground floor.

The proposed rent does not include a utility allowance. The owner will pay for all utilities.

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.