

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 8, 2021

Poppy Grove III, located at 10149 Bruceville Road in Elk Grove, requested and is being recommended for a reservation of \$3,338,219 in annual federal tax credits and \$19,258,957 in total state tax credits to finance the new construction of 157 units of housing serving large families with rents affordable to households earning 30-80% of area median income (AMI). The project will be developed by Poppy Grove Development Partners, LLC and will be located in Senate District 6 and Assembly District 9.

Project Number CA-21-705

Project Name Poppy Grove III
Site Address: 10149 Bruceville Road
 Elk Grove, CA 95757 County: Sacramento
Census Tract: 0096.38

Tax Credit Amounts	Federal/Annual	State/Total*
Requested:	\$3,338,219	\$19,258,957
Recommended:	\$3,338,219	\$19,258,957

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

Applicant Information

Applicant: Oakland Economic Development Corporation
Contact: Sylvester Grigsby
Address: 8055 Collins Dr. Suite 104
 Oakland, CA 94621
Phone: (415) 748-2300
Email: sylvestersr@sbcglobal.net

General Partner(s) or Principal Owner(s): Poppy Grove Development Partners, LLC
 Oakland Economic Development Corporation

General Partner Type: Joint Venture

Parent Company(ies): UrbanCore Development, LLC
 Oakland Economic Development Corporation

Developer: Poppy Grove Development Partners, LLC

Bond Issuer: California Municipal Finance Authority

Investor/Consultant: CREA

Management Agent: The John Stewart Company

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 8
 Total # of Units: 158
 No. / % of Low Income Units: 157 100.00%
 Federal Set-Aside Elected: 40%/60% Average Income
 Federal Subsidy: Tax-Exempt

Information

Housing Type: Large Family
 Geographic Area: Capital Region
 TCAC Project Analyst: Tiffani Negrete

55-Year Use / Affordability

<u>Aggregate Targeting Number of Units</u>	<u>Percentage of Affordable Units</u>
30% AMI: 16	10%
50% AMI: 16	10%
60% AMI: 93	59%
80% AMI: 32	20%

Unit Mix

30 1-Bedroom Units
60 2-Bedroom Units
68 3-Bedroom Units
<u>158 Total Units</u>

<u>Unit Type & Number</u>	<u>2021 Rents Targeted % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
6 1 Bedroom	80%	\$1,360
18 1 Bedroom	60%	\$1,020
3 1 Bedroom	50%	\$850
3 1 Bedroom	30%	\$510
12 2 Bedrooms	80%	\$1,632
36 2 Bedrooms	60%	\$1,224
6 2 Bedrooms	50%	\$1,020
6 2 Bedrooms	30%	\$612
14 3 Bedrooms	80%	\$1,885
39 3 Bedrooms	60%	\$1,413
7 3 Bedrooms	50%	\$1,178
7 3 Bedrooms	30%	\$706
1 3 Bedrooms	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$5,150,000
Construction Costs	\$39,809,771
Rehabilitation Costs	\$0
Construction Hard Cost Contingency	\$2,017,409
Soft Cost Contingency	\$661,476
Relocation	\$0
Architectural/Engineering	\$1,410,000
Const. Interest, Perm. Financing	\$3,856,490
Legal Fees	\$257,500
Reserves	\$686,161
Other Costs	\$8,090,564
Developer Fee	\$8,373,459
Commercial Costs	\$0
Total	\$70,312,830

Residential

Construction Cost Per Square Foot:	\$208
Per Unit Cost:	\$445,018
True Cash Per Unit Cost*:	\$410,890

Construction Financing

Source	Amount
ATAX - T.E. Bonds	\$36,869,507
ATAX - Taxable Loan	\$16,400,000
ATAX - Recycled Bonds	\$3,500,000
Deferred Costs	\$10,606,013
Tax Credit Equity	\$2,937,310

Permanent Financing

Source	Amount
Greystone Servicing Company	\$18,794,065
Deferred Developer Fee	\$5,392,217
Tax Credit Equity	\$46,126,548
TOTAL	\$70,312,830

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$64,196,523
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	\$83,455,480
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	\$3,338,219
Total State Credit:	\$19,258,957
Approved Developer Fee (in Project Cost & Eligible Basis):	\$8,373,459
Investor/Consultant:	CREA
Federal Tax Credit Factor:	\$0.87990
State Tax Credit Factor:	\$0.86990

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.

Significant Information / Additional Conditions

The current legal description is part of a larger site and the project site’s parcel (legal description and APN) have not yet been finalized. The legal description and APN for CA-21-705 must be completed as part of the placed-in-service package.

Pursuant to TCAC Regulation Section 10326(g)(5), general partners and management companies lacking documented experience with Section 42 requirements using the minimum scoring standards at Section 10325(c)(2)(A) and (B) shall be required to complete training as prescribed by TCAC prior to a project’s placing in service. Specifically, at least one of the co-general partners, Poppy Grove Development Partners, LLC or Oakland Economic Development Corporation, shall complete training as prescribed by TCAC prior to the project's placing in service.

In determining the adjusted threshold basis limit, the applicant included \$7,238,408 in local development impact fees. However, the applicant did not provide the required 3rd party documentation from the local agency for fees in the amount of \$1,988,086. Staff reduced the adjusted threshold basis limit accordingly to \$5,250,322. This reduction has no affect on the project.

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.

If the applicant has requested the use of a CUAC utility allowance, TCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from TCAC, this project is not eligible to use a utility allowance based on the CUAC.

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.