

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

**Project Staff Report
Tax-Exempt Bond Project
May 10, 2023**

Downtown River Apartments, located at 35 East Washington Street in Petaluma, requested and is being recommended for a reservation of \$2,074,773 in annual federal tax credits to finance the acquisition & rehabilitation of 86 units of housing serving families with rents affordable to households earning 30%-60% of area median income (AMI). The project will be developed by Eden Housing, Inc. and is located in Senate District 3 and Assembly District 10.

Downtown River Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Downtown River Apartments (CA-2003-872). 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-23-464

Project Name Downtown River Apartments
Site Address: 35 East Washington Street
Petaluma, CA 94952
County: Sonoma
Census Tract: 1509.01

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$2,074,773	\$0
Recommended:	\$2,074,773	\$0

Applicant Information

Applicant: Downtown River Two, L.P.
Contact: Kevin Leichner
Address: 22645 Grand Street
Hayward, CA 94541
Phone: 510-892-1791
Email: kleichner@edenhousing.org

General Partner(s) or Principal Owner(s): Downtown River Two LLC
General Partner Type: Nonprofit
Parent Company(ies): Eden Housing Inc.
Developer: Eden Housing, Inc.
Bond Issuer: California Municipal Finance Authority
Investor/Consultant: US Bank Community Development Corporation
Management Agent: Eden Housing Management, Inc

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 1
Total # of Units: 87
No. / % of Low Income Units: 86 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HOME / HUD Section 8 Project-based Vouchers
(32 Units - 37%)

Information

Housing Type: Large Family
 Geographic Area: Northern Region
 CTCAC Project Analyst: Sarah Gullikson

55-Year Use / Affordability

Aggregate Targeting	Number of Units	Percentage of Affordable Units
30% AMI:	18	21%
50% AMI:	33	38%
60% AMI:	35	41%

Unit Mix

13 1-Bedroom Units
50 2-Bedroom Units
24 3-Bedroom Units
87 Total Units

Unit Type & Number	2022 Rents Targeted % of Area Median Income	Proposed Rent (including utilities)
2 1 Bedroom	30%	\$668
10 2 Bedrooms	30%	\$802
2 3 Bedrooms	30%	\$927
4 3 Bedrooms	30%	\$927
3 1 Bedroom	50%	\$1,078
2 2 Bedrooms	50%	\$1,282
15 2 Bedrooms	50%	\$1,282
5 3 Bedrooms	50%	\$1,394
5 2 Bedrooms	50%	\$1,282
3 3 Bedrooms	50%	\$1,394
3 1 Bedroom	60%	\$1,337
17 2 Bedrooms	60%	\$1,604
9 3 Bedrooms	60%	\$1,664
5 1 Bedroom	60%	\$1,337
1 2 Bedrooms	60%	\$1,604
1 3 Bedrooms	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$16,755,462
Construction Costs	\$0
Rehabilitation Costs	\$14,603,023
Construction Hard Cost Contingency	\$2,189,533
Soft Cost Contingency	\$530,904
Relocation	\$188,604
Architectural/Engineering	\$3,003,307
Const. Interest, Perm. Financing	\$3,845,466
Legal Fees	\$58,773
Reserves	\$457,325
Other Costs	\$564,540
Developer Fee	\$4,779,272
Commercial Costs	\$3,514,589
Total	\$50,490,798

Residential

Construction Cost Per Square Foot:	\$174
Per Unit Cost:	\$538,833
True Cash Per Unit Cost*:	\$472,793

Construction Financing

Source	Amount
US Bank: Tax-Exempt	\$25,175,831
City of Petaluma: HOME	\$5,384,493
PHF: Assumed Debt ¹	\$5,713,474
PCDC: Assumed Debt ²	\$24,313
Neighborworks	\$3,000,000
Seller Carryback	\$3,408,952
Acquired Reserves	\$214,228
Net Operating Income	\$737,226
Deferred Costs	\$2,272,995
Deferred Developer Fee	\$2,779,272
Tax Credit Equity	\$1,780,014

Permanent Financing

Source	Amount
US Bank: Tax-Exempt	\$8,579,000
City of Petaluma: HOME	\$5,384,493
PHF: Assumed Debt ¹	\$5,713,474
PCDC: Assumed Debt ²	\$24,313
Neighborworks	\$3,000,000
Seller Carryback	\$3,408,952
General Partner Holdback	\$1,319,000
Acquired Reserves	\$214,228
Net Operating Income	\$737,149
Deferred Developer Fee	\$2,779,272
Tax Credit Equity	\$19,330,917
TOTAL	\$50,490,798

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

¹Petaluma Housing Fund

²Petaluma Community Development Commission

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$26,809,195
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$17,017,374
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$34,851,954
Qualified Basis (Acquisition):	\$17,017,374
Applicable Rate:	4.00%
Maximum Annual Federal Credit, Rehabilitation:	\$1,394,078
Maximum Annual Federal Credit, Acquisition:	\$680,695
Total Maximum Annual Federal Credit:	\$2,074,773
Approved Developer Fee in Project Cost:	\$4,779,272
Approved Developer Fee in Eligible Basis:	\$4,681,546
Investor/Consultant:	US Bank Community Development Corporation
Federal Tax Credit Factor:	\$0.93171

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

This project will include the acquisition and rehabilitation of a building consisting of 81 total units and the adaptive reuse of a portion of the project's existing commercial space. The commercial space is located on the ground floor of the building and will be renovated and reconfigured to include 6 new units. Upon completion, the project will include 86 LIHTC units and 1 manager's unit.

Resyndication and Resyndication Transfer Event

Prior to closing, the applicant or its assignee shall obtain CTCAC's consent to assign and assume the existing Regulatory Agreement (CA-03-872). 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 and any deeper targeting levels in the new regulatory agreement for the duration of the new regulatory agreement. 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-03-872) 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 CTCAC 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.

CTCAC 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 CTCAC.

The applicant must pay CTCAC a reservation fee calculated in accordance with regulation. Additionally, CTCAC 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 CTCAC 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, CTCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from CTCAC, 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 CTCAC 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 CTCAC in its final feasibility analysis.

CDLAC Additional Conditions

The applicant/owner is required to comply with the CDLAC Resolution. At the time of the CTCAC placed in service review, CTCAC staff will verify that the project is in compliance with all applicable items of CDLAC Resolution Exhibit A.

If points were awarded by CDLAC for housing type, the project shall comply with the housing type requirements at the time of CTCAC's Placed In Service review. The housing type requirement shall be conditioned in the CTCAC Regulatory Agreement and CTCAC Compliance staff shall verify the project is meeting those housing type requirements, consistent with California Code of Regulations, title 4, section 10322(i).