

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

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

Demaree Street Apartments, located at North Demaree Street & Houston Avenue in Visalia, requested and is being recommended for a reservation of \$2,784,512 in annual federal tax credits and \$18,950,000 in total state tax credits to finance the new construction of 220 units of housing serving families with rents affordable to households earning 30%-80% of area median income (AMI). The project will be developed by Pacific West Communities, Inc. and will be located in Senate District 12 and Assembly District 32.

The project financing includes state funding from the Mixed-Income Program (MIP) through CalHFA.

Project Number CA-23-521

Project Name Demaree Street Apartments
Site Address: North Demaree Street & Houston Avenue
Visalia, CA 93291
County: Tulare
Census Tract: 10.07

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$2,784,512	\$18,950,000
Recommended:	\$2,784,512	\$18,950,000

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

Applicant Information

Applicant: Kaweah Management Company, a California Nonprofit Public Benefit Corporation
Contact: Kenneth Kugler
Address: 5140 West Cypress Avenue
Visalia, CA 93277
Phone: 559.627.3700
Email: ken@hatc.net

General Partner(s) or Principal Owner(s): Kaweah Management Company
TPC Holdings IX, LLC
Demaree Apartments, LLC
General Partner Type: Joint Venture
Parent Company(ies): Housing Authority of Tulare County
The Pacific Companies
Maracor Development, Inc.
Developer: Pacific West Communities, Inc.
Bond Issuer: California Housing Finance Agency (CalHFA)
Investor/Consultant: Boston Financial
Management Agent: ConAm Management Corporation

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 8
 Total # of Units: 222
 No. / % of Low Income Units: 220 100.00%
 Federal Set-Aside Elected: 40%/60% Average Income
 Federal Subsidy: Tax-Exempt

Information

Housing Type: Large Family
 Geographic Area: Central Valley Region
 CTCAC Project Analyst: Dylan Hervey

55-Year Use / Affordability

Aggregate Targeting	Number of Units	Percentage of Affordable Units
30% AMI:	22	10%
50% AMI:	23	10%
60% AMI:	131	60%
80% AMI:	44	20%

Unit Mix

90 1-Bedroom Units
 75 2-Bedroom Units
 57 3-Bedroom Units

 222 Total Units

Unit Type & Number	2022 Rents Targeted % of Area Median Income	Proposed Rent (including utilities)
9 1 Bedroom	30%	\$438
10 1 Bedroom	50%	\$731
65 1 Bedroom	60%	\$877
6 1 Bedroom	80%	\$1,170
8 2 Bedrooms	30%	\$526
8 2 Bedrooms	50%	\$877
51 2 Bedrooms	60%	\$1,053
8 2 Bedrooms	80%	\$1,404
5 3 Bedrooms	30%	\$607
5 3 Bedrooms	50%	\$1,013
15 3 Bedrooms	60%	\$1,215
30 3 Bedrooms	80%	\$1,621
2 3 Bedrooms	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$3,950,312
Construction Costs	\$46,137,161
Construction Hard Cost Contingency	\$2,400,000
Soft Cost Contingency	\$800,000
Architectural/Engineering	\$975,000
Const. Interest, Perm. Financing	\$5,026,100
Legal Fees	\$100,000
Reserves	\$954,658
Other Costs	\$5,120,739
Developer Fee	\$9,079,930
Total	\$74,543,900

Residential

Construction Cost Per Square Foot:	\$249
Per Unit Cost:	\$335,783
True Cash Per Unit Cost*:	\$317,135

Construction Financing

Source	Amount
Citibank: Tax-Exempt	\$39,000,000
Citibank: Taxable	\$12,000,000
Bonneville: Tax-Exempt, Recycled	\$6,000,000
HATC ¹	\$3,600,000
Deferred Costs	\$954,658
Deferred Developer Fee	\$9,079,930
Tax Credit Equity	\$3,909,312

Permanent Financing

Source	Amount
CalHFA: Tax-Exempt	\$17,500,000
Bonneville: Tax-Exempt, Recycled	\$6,000,000
CalHFA: MIP	\$4,000,000
HATC ¹	\$3,600,000
Deferred Developer Fee	\$4,139,930
Tax Credit Equity	\$39,303,970
TOTAL	\$74,543,900

¹Housing Authority of Tulare County

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$69,612,802
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$69,612,802
Applicable Rate:	4.00%
Total Maximum Annual Federal Credit:	\$2,784,512
Total State Credit:	\$18,950,000
Approved Developer Fee (in Project Cost & Eligible Basis):	\$9,079,930
Investor/Consultant:	Boston Financial
Federal Tax Credit Factor:	\$0.83992
State Tax Credit Factor:	\$0.83992

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: None.

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.

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).