CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
April 6, 2016

Hampton Square Apartments, located at 819 E. Hammer Lane in Stockton, requested and is being recommended for a reservation of $672,343 in annual federal tax credits to finance the acquisition and rehabilitation of 184 units of housing serving large families with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Central California Housing Corporation and will be located in Senate District 5 and Assembly District 13.

Hampton Square Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Phoenix Apartments (CA-98-946). See **Special Issues/Other Significant Information** below for additional re-syndication information.

Project Number	CA-16-834	
Project Name	Hampton Square Apartments	
Site Address:	819 E. Hammer Lane, Stockton, CA 95210	
	Stockton, CA 95210	County: San Joaquin
Census Tract:	34.060	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$672,343	$0
Recommended:	$672,343	$0

Applicant Information

Applicant:	Central California Housing Corporation (CCHC)		
Contact:	Laurie Doyle		
Address:	3128 Willow Avenue, Suite 101		
	Clovis, CA 93612		
Phone:	559-292-9212	Fax:	559-292-3376
Email:	Ldoyle@ahdcinc.com		

General Partner(s) or Principal Owner(s):	To Be Determined - LLC
	Central Valley Coalition for Affordable Housing
General Partner Type:	Joint Venture
Parent Company(ies):	Affordable Housing Development Corporation
	Central Valley Coalition for Affordable Housing
Developer:	Central California Housing Corporation
Investor/Consultant:	R4 Capital LLC
Management Agent:	WINN Residential

Project Information

Construction Type:	Acquisition and Rehabilitation
Total # Residential Buildings:	39
Total # of Units:	186
No. & % of Tax Credit Units:	184 100.00%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt
HCD MHP Funding:	No
55-Year Use/Affordability:	Yes

Number of Units @ or below 50% of area median income: 19
Number of Units @ or below 60% of area median income: 165

Bond Information

Issuer:	California Statewide Communities Development Authority
Expected Date of Issuance:	July 1, 2016
Credit Enhancement:	No

Information

Housing Type:	Large Family
Geographic Area:	Central Valley Region
TCAC Project Analyst:	Mayra Lozano

Unit Mix

139	2-Bedroom Units
1	3-Bedroom Units
46	4-Bedroom Units
186	Total Units

Unit Type & Number		2015 Rents Targeted % of Area Median Income	2015 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
6	2 Bedrooms	50%	50%	$671
8	2 Bedrooms	50%	50%	$671
58	2 Bedrooms	60%	60%	$805
67	2 Bedrooms	60%	60%	$805
1	4 Bedrooms	50%	50%	$865
4	4 Bedrooms	50%	50%	$865
9	4 Bedrooms	60%	60%	$1,038
31	4 Bedrooms	60%	60%	$1,038
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$0
1	4 Bedrooms	Manager’s Unit	Manager’s Unit	$0

Project Cost Summary at Application

Land and Acquisition	$8,255,437
Construction Costs	$0
Rehabilitation Costs	$7,078,085
Construction Contingency	$707,809
Relocation	$223,200
Architectural/Engineering	$110,000
Const. Interest, Perm. Financing	$1,841,581
Legal Fees, Appraisals	$235,500
Reserves	$759,800
Other Costs	$561,876
Developer Fee	$2,346,659
Commercial Costs	$0
Total	**$22,119,947**

Project Financing

Estimated Total Project Cost:	$22,119,947
Estimated Residential Project Cost:	$22,119,947

Residential

Construction Cost Per Square Foot:	$38
Per Unit Cost:	$118,924

Construction Financing

Source	Amount
Wells Fargo	$13,834,998
City of Stockton	$5,948,227
Existing Replacement Reserves	$299,524
Tax Credit Equity	$2,037,198

Permanent Financing

Source	Amount
JLL Capital Markets	$8,735,153
City of Stockton	$5,948,227
Existing Replacement Reserves	$299,524
Deferred Developer Fee	$346,383
Tax Credit Equity	$6,790,660
TOTAL	**$22,119,947**

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$9,630,504
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$8,360,548
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$12,519,655
Qualified Basis (Acquisition):	$8,360,548
Applicable Rate:	3.30%
Maximum Annual Federal Credit, Rehabilitation:	$396,445
Maximum Annual Federal Credit, Acquisition:	$275,898
Total Maximum Annual Federal Credit:	$672,343
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,346,659
Investor/Consultant:	R4 Capital LLC
Federal Tax Credit Factor:	$1.01000

Per Regulation Section 10322(h)(9)(A), The “as if vacant” land value and the existing improvement value established at application, as well as the eligible basis amount derived from those values, will be used during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits.

Per Regulation Section 10327(c)(2)(C), Once established at the initial funded application, the developer fee cannot be increased, but may be decreased, in the event of a modification in basis.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	$17,991,052
Actual Eligible Basis:	$17,991,052
Unadjusted Threshold Basis Limit:	$44,304,506
Total Adjusted Threshold Basis Limit:	$48,734,957

Adjustments to Basis Limit

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 10%

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 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 3.30% 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.

Special Issues/Other Significant Information

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. The initial 15 year compliance period is from January 1 of the owner's elected first year of credit through December 31 of the 15th year. The existing regulatory agreement expires 12/31/2027. The existing regulatory agreement income targeting is 184 units at 60% AMI.

The project is a re-syndication occurring concurrently with a Transfer Event without distribution of Net Project Equity, and thus received a waiver from setting aside a Short Term Work Capitalized Replacement

Local Reviewing Agency

The Local Reviewing Agency, City of Stockton, has completed a site review of this project and strongly supports this project.

Recommendation
Staff recommends that the Committee make a preliminary reservation of tax credits in the following amount(s) contingent upon standard conditions and any additional conditions imposed by the Committee:

Federal Tax Credits/Annual	State Tax Credits/Total
$672,343	**$0**

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.

The IRS has advised TCAC that the amount of tax-exempt bonds issued, equivalent to at least 50% of aggregate basis, must remain in place through the first year of the credit period or until eligible basis is finally determined.

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.

Additional Conditions

The applicant/owner is required to complete the following sustainable building methods in accordance with the bond allocation from CDLAC and provide the applicable certifications and documentation when the TCAC placed-in-service application is submitted:

- The project commits to improve energy efficiency above the modeled energy consumption of the building(s) by a 15% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERSII) post rehabilitation.