CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
May 18, 2016

Vista Sonoma Senior Living Apartments, located at 1401 Townview Avenue in Santa Rosa, requested and is being recommended for a reservation of $1,101,015 in annual federal tax credits to finance the acquisition and rehabilitation of 189 units of housing serving seniors with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Vintage Housing Development, Inc. and is located in Senate District 2 and Assembly District 10.

Vista Sonoma Senior Living Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Vista Sonoma Senior Living Apartments (CA-99-882). See **Special Issues/Other Significant Information** below for additional re-syndication information.

Project Number CA-16-862

Project Name Vista Sonoma Senior Living Apartments
Site Address: 1401 Townview Avenue
Santa Rosa, CA 95405 County: Sonoma
Census Tract: 1515.020

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$1,101,015	$0
Recommended:	$1,101,015	$0

Applicant Information

Applicant:	Vintage at Sonoma, LP
Contact:	Michael K. Gancar
Address:	369 San Miguel Drive, Ste. 135 Newport Beach, CA 92660
Phone:	(949) 721-6775 Fax: (949) 721-6776
Email:	mgancar@vintagehousing.com

General Partner(s) or Principal Owner(s):	Vintage at Sonoma Partners, LLC Hearthstone CA Properties I, LLC
General Partner Type:	Joint Venture
Parent Company(ies):	Vintage Housing Holdings, LLC Hearthstone Housing Foundation
Developer:	Vintage Housing Development, Inc.
Investor/Consultant:	Aegon USA Realty Advisors, LLC
Management Agent:	FPI Management, Inc.

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	4
Total # of Units:	189
No. & % of Tax Credit Units:	189 100.00%
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: 168

Bond Information

Issuer:	California Statewide Communities Development Authority
Expected Date of Issuance:	November 18, 2016
Credit Enhancement:	No

Information

Housing Type:	Seniors
Geographic Area:	North and East Bay Region
TCAC Project Analyst:	Mayra Lozano

Unit Mix

125	1-Bedroom Units
64	2-Bedroom Units
189	Total Units

Unit Type & Number		2015 Rents Targeted % of Area Median Income	2015 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
13	1 Bedroom	50%	50%	$750
111	1 Bedroom	60%	60%	$900
6	2 Bedrooms	50%	50%	$900
57	2 Bedrooms	60%	60%	$1,080
1	1 Bedroom	Manager’s Unit	Manager’s Unit	$873
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$864

Project Cost Summary at Application

Land and Acquisition	$24,100,000
Construction Costs	$0
Rehabilitation Costs	$8,000,000
Construction Contingency	$800,000
Relocation	$283,500
Architectural/Engineering	$305,000
Const. Interest, Perm Financing	$1,780,813
Legal Fees, Appraisals	$164,500
Reserves	$456,562
Other Costs	$709,803
Developer Fee	$4,136,376
Commercial Costs	$0
Total	**$40,736,554**

Project Financing

Estimated Total Project Cost:	$40,736,554
Estimated Residential Project Cost:	$40,736,554
Estimated Commercial Project Cost:	$0

Residential

Construction Cost Per Square Foot:	$65
Per Unit Cost:	$215,537
Effective Per Unit Cost:	$183,666

Construction Financing

Source	Amount
Citi Bank	$25,025,732
Seller Carryback Loan	$2,660,000
Income During Construction	$2,056,513
Existing Reserves	$87,844
Deferred Developer Fee	$4,136,376
General Partner Equity	$2,120,000
Tax Credit Equity	$4,650,089

Permanent Financing

Source	Amount
Citi Bank	$18,997,994
Seller Carryback Loan	$2,660,000
Income During Construction	$2,056,513
Existing Reserves	$87,844
Deferred Developer Fee	$3,363,643
General Partner Equity	$2,120,000
Tax Credit Equity	$11,450,560
TOTAL	**$40,736,554**

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$7,217,216
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$24,495,000
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$9,382,381
Qualified Basis (Acquisition):	$24,495,000
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$304,927
Maximum Annual Federal Credit, Acquisition:	$796,088
Total Maximum Annual Federal Credit:	$1,101,015
Approved Developer Fee (in Project Cost & Eligible Basis):	$4,136,376
Investor/Consultant:	Aegon USA Realty Advisors, LLC
Federal Tax Credit Factor:	$1.04000

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:	$31,712,216
Actual Eligible Basis:	$31,712,216
Unadjusted Threshold Basis Limit:	$50,958,000
Total Adjusted Threshold Basis Limit:	$61,149,600

Adjustments to Basis Limit

95% of Upper Floor Units are Elevator-Serviced

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 are below the minimum operating expenses established in the Regulations (see "Special Issues/Other Significant Information" section), and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 3.25% 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

TCAC staff calculated the minimum operating expense to be $4,800 per unit per year. This project's operating expense minimum has been reduced to $4,080 per unit per year as allowed by regulation on agreement of the permanent lender and equity investor.

The project will have 2 onsite manager units that will be occupied by qualified low-income tenants.

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 12/31/2029. The existing regulatory agreement income targeting is 40% of units at or below 60% AMI.

The project is a re-syndication occurring concurrently with a Transfer Event with distribution of Net Project Equity, which is otherwise required to set aside a Short Term Work Capitalized Replacement Reserve in the amount of $4,200,000. In lieu of a Short Term Work Capitalized Reserve, the applicant is allowed to use the Short Term Work Reserve Amount to fund rehabilitation expenses. The Short Term Work Reserve Amount of $4,200,000 is excluded from eligible basis.

Local Reviewing Agency
The Local Reviewing Agency, City of Santa Rosa, 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
$1,101,015	$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 provide the tenants with the following service amenities free of charge for a minimum of fifteen (15) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to

- Instructor-led educational classes, health and wellness or skill-building classes off-site within 1/2 mile for a minimum of 84 hours per year
- Wellness services and programs providing individualized support for tenants off-site within 1/2 mile. Services shall be provided at a minimum of 100 hours per year.