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

Innovia, located at the Southwest corner of S. Grimmer Blvd. and Lopes Court, in Fremont, requested and is being recommended for a reservation of $3,108,303 in annual federal tax credits to finance the new construction of 287 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by St. Anton Communities, LLC and will be located in Senate District 17 and Assembly District 25.

Project Number CA-16-874

Project Name Innovia

Site Address:	Southwest corner of S. Grimmer Blvd. and Lopes Court	
	Fremont, CA 94538	County: Alameda
Census Tract:	4415.030	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$3,108,303	$0
Recommended:	$3,108,303	$0

Applicant Information

Applicant:	Warm Springs, LP		
Contact:	Ardie Zahedani		
Address:	1801 I Street, Suite 200		
	Sacramento	CA	95811
Phone:	(916) 400-2077	Fax:	(916) 444-9843
Email:	az@antoncap.com		

General Partner(s) or Principal Owner(s):	St. Anton Warm Springs, LLC
	PacH Anton South Holdings, LLC
General Partner Type:	Joint Venture
Parent Company(ies):	Geremia Family Trust
	Pacific Housing Inc.
Developer:	St. Anton Communities, LLC
Investor/Consultant:	US Bank Community Development Corporation
Management Agent:	St. Anton Multifamily, Inc.

Project Information

Construction Type:	New Construction
Total # Residential Buildings:	1
Total # of Units:	290
No. & % of Tax Credit Units:	287 100.00%
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: 93
Number of Units @ or below 60% of area median income: 194

Bond Information

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

Information

Housing Type:	Non-Targeted
Geographic Area:	North and East Bay Region
TCAC Project Analyst:	Mayra Lozano

Unit Mix

20	SRO/Studio Units
129	1-Bedroom Units
120	2-Bedroom Units
21	3-Bedroom Units
290	Total Units

Unit Type & Number		2015 Rents Targeted % of Area Median Income	2015 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
6	SRO/Studio	50%	50%	$813
14	SRO/Studio	60%	60%	$976
42	1 Bedroom	50%	50%	$871
87	1 Bedroom	60%	60%	$1,046
38	2 Bedrooms	50%	50%	$1,046
80	2 Bedrooms	60%	60%	$1,255
7	3 Bedrooms	50%	50%	$1,208
13	3 Bedrooms	60%	60%	$1,449
2	2 Bedrooms	Manager’s Unit	Manager’s Unit	$1,203
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$1,384

Project Cost Summary at Application	
Land and Acquisition	$5,040,000
Construction Costs	$53,599,175
Rehabilitation Costs	$0
Construction Contingency	$0
Relocation	$0
Architectural/Engineering	$1,406,908
Construction Interest,Perm Financing	$4,053,403
Legal Fees, Appraisals	$140,000
Reserves	$1,033,683
Other Costs	$14,808,759
Developer Fee	$2,500,000
Commercial Costs	$2,932,568
Total	**$85,514,496**

Project Financing	
Estimated Total Project Cost:	$85,514,496
Estimated Residential Project Cost:	$82,581,928
Estimated Commercial Project Cost	$2,932,568

Residential	
Construction Cost Per Square Foot:	$214
Per Unit Cost:	$284,765
Effective Per Unit Cost:	$264,652

Construction Financing

Source	Amount
Citibank	$42,300,000
Citibank Subordinate Loan	$3,575,000
Land Donation	$5,040,000
Master Developer	$5,600,000
NOI During Lease-Up	$1,381,859
Tax Credit Equity	$25,000,000

Permanent Financing

Source	Amount
Citibank N.A.	$34,550,000
Citibank Subordinate Loan	$3,575,000
Land Donation	$5,040,000
Master Developer	$5,600,000
NOI During Lease-Up	$1,381,859
Deferred Developer Fee	$1,000,000
Tax Credit Equity	$34,367,637
TOTAL	**$85,514,496**

Determination of Credit Amount(s)

Requested Eligible Basis:	$73,569,291
130% High Cost Adjustment:	Yes
Applicable Fraction:	100.00%
Qualified Basis:	$95,640,078
Applicable Rate:	3.25%
Total Maximum Annual Federal Credit:	$3,108,303
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,500,000
Investor/Consultant:	US Bank Community Development Corporation
Federal Tax Credit Factor:	$1.10567

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:	$73,569,291
Actual Eligible Basis:	$73,569,291
Unadjusted Threshold Basis Limit:	$85,180,578
Total Adjusted Threshold Basis Limit:	$140,155,537

Adjustments to Basis Limit

Parking Beneath Residential Units or On-Site Parking Structure of Two or More Levels

One or more Energy Efficiency/Resource Conservation/Indoor Air Quality Features:

- New construction: project buildings are at least 15% more energy efficient than 2013 Energy Efficiency Standards as indicated in TCAC Regulations.

Local Development Impact Fees

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: 32%

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 $5,400 per unit per year. This project's operating expense minimum has been reduced to $4,604 per unit per year as allowed by regulation on agreement of the permanent lender and equity investor.

Local Reviewing Agency

The Local Reviewing Agency, City of Fremont, 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
$3,108,303	**$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

- After school program off-site within 1/2 mile for a minimum of 10 hours per week
- 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

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 will exceed 2013 Title 24 Standards for New Construction / Adaptive Reuse by 15% of the California Building Code.
- The project commits to having at least 1 building subject to a policy developed by the owner that prohibits smoking in contiguous designated units.
- The project commits to a parking ratio equivalent of 1 parking stall or less per SRO and 1-bedroom restricted rental units, and 1.5 parking stall or less per 2-bedroom and larger restricted rental units.