

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report Tax-Exempt Bond Project July 20, 2016

Village East Apartments, located at 2501 E. Lafayette Street in Stockton, requested and is being recommended for a reservation of \$678,726 in annual federal tax credits to finance the acquisition and rehabilitation of 187 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by The John Stewart Company and is located in Senate District 5 and Assembly District 13.

The project will be receiving rental assistance in the form of a HUD Section 8 Project-based Contract.

Project Number CA-16-903

Project Name Village East Apartments
Site Address: 2501 E. Lafayette Street
Stockton, CA 95202 **County:** San Joaquin
Census Tract: 6077002000.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$678,726	\$0
Recommended:	\$678,726	\$0

Applicant Information

Applicant: New Village East, LP
Contact: Jack D. Gardner
Address: 1388 Sutter Street
San Francisco, CA 94109
Phone: 415-345-4400 **Fax:** 415-614-9175
Email: jgardner@jsco.net

General Partner(s) or Principal Owner(s): AHCDC Village East LLC
JSCo Village East LLC
General Partner Type: Joint Venture
Parent Company(ies): Affordable Housing CDC
The John Stewart Company
Developer: The John Stewart Company
Investor/Consultant: Enterprise Community Investments
Management Agent: The John Stewart Company

Project Information

Construction Type: Acquisition and Rehabilitation
 Total # Residential Buildings: 22
 Total # of Units: 189
 No. & % of Tax Credit Units: 187 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt / HUD Section 8 Project-based Contract (187 units - 100%)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 39
 Number of Units @ or below 60% of area median income: 148

Bond Information

Issuer: California Public Finance Authority
 Expected Date of Issuance: October 25, 2016
 Credit Enhancement: HUD FHA 223(f)

Information

Housing Type: Non-Targeted
 Geographic Area: Central Valley Region
 TCAC Project Analyst: Mayra Lozano

Unit Mix

46 1-Bedroom Units
 98 2-Bedroom Units
 45 3-Bedroom Units

 189 Total Units

Unit Type & Number	2016 Rents Targeted % of Area Median Income	2016 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
10 1 Bedroom	50%	50%	\$553
36 1 Bedroom	60%	60%	\$663
20 2 Bedrooms	50%	50%	\$663
76 2 Bedrooms	60%	60%	\$796
9 3 Bedrooms	50%	50%	\$766
36 3 Bedrooms	60%	60%	\$919
2 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$10,015,000
Construction Costs	\$0
Rehabilitation Costs	\$5,639,403
Construction Contingency	\$750,926
Relocation	\$175,000
Architectural/Engineering	\$351,770
Const. Interest, Perm. Financing	\$843,184
Legal Fees, Appraisals	\$120,500
Reserves	\$1,694,868
Other Costs	\$320,021
Developer Fee	\$2,392,633
Commercial Costs	\$0
Total	\$22,303,305

Project Financing

Estimated Total Project Cost:	\$22,303,305
Estimated Residential Project Cost:	\$22,303,305
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$36
Per Unit Cost:	\$118,007
True Cash Per Unit Cost*:	\$118,007

Construction Financing

Source	Amount
Rockport Mortgage - FHA 223(f)	\$15,200,000
General Partner Equity	\$100
Deferred Costs	\$1,775,800
Tax Credit Equity	\$5,327,404

Permanent Financing

Source	Amount
Rockport Mortgage - FHA 223(f)	\$15,200,000
General Partner Equity	\$100
Tax Credit Equity	\$7,103,205
TOTAL	\$22,303,305

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	\$8,488,022
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	\$9,860,500
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	\$11,034,429
Qualified Basis (Acquisition):	\$9,860,500
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	\$358,260
Maximum Annual Federal Credit, Acquisition:	\$320,466
Total Maximum Annual Federal Credit:	\$678,726
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,392,633
Investor/Consultant:	Enterprise Community Investment
Federal Tax Credit Factor:	\$1.04655

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:	\$18,348,522
Actual Eligible Basis:	\$18,348,522
Unadjusted Threshold Basis Limit:	\$45,101,266
Total Adjusted Threshold Basis Limit:	\$54,121,519

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: 20%

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 3.25% 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: None.

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
\$678,726	\$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: None