CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 19, 2016
REVISED

Napa Park Homes, located at 790 Lincoln Avenue in Napa, requested and is being recommended for a reservation of $2,169,901 in annual federal tax credits to finance the acquisition and rehabilitation of 128 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 Napa Valley Community Housing and is located in Senate District 3 and Assembly District 4.

The project will be receiving rental assistance in the form of HUD Section 8 Project-based Contract and HUD Section 236.

Project Number CA-16-954

Project Name Napa Park Homes
Site Address: 790 Lincoln Avenue
Napa, CA 94558 County: Napa
Census Tract: 2005.04

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$2,169,901	$0
Recommended:	$2,169,901	$0

Applicant Information

Applicant:	Napa Park Homes, L.P.
Contact:	Karina O'Briain
Address:	150 Camino Dorado Napa, CA 94558
Phone:	707.251.1066
Email:	kobriain@nvch.org

General Partner(s) or Principal Owner(s):	Napa Valley Community Housing
General Partner Type:	Nonprofit
Parent Company(ies):	Napa Valley Community Housing
Developer:	Napa Valley Community Housing
Investor/Consultant:	California Housing Partnership Corp.
Management Agent:	Napa Valley Community Housing

Project Information

Construction Type:	Acquisition & Rehabilitation
Total # Residential Buildings:	18
Total # of Units:	140
No. & % of Tax Credit Units:	128 92.75%
Federal Set-Aside Elected:	40%/60%
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Contract (116 units - 90%) / HUD Section 236 (22 units - 17%)
HCD MHP Funding:	No
55-Year Use/Affordability:	Yes

Number of Units @ or below 50% of area median income: 79
Number of Units @ or below 60% of area median income: 49

Bond Information

Issuer:	California Municipal Finance Authority
Expected Date of Issuance:	March 1, 2017
Credit Enhancement:	N/A

Information

Housing Type:	Large Family
Geographic Area:	North and East Bay Region
TCAC Project Analyst:	Connie Harina

Unit Mix

32	1-Bedroom Units
52	2-Bedroom Units
56	3-Bedroom Units
140	Total Units

Unit Type & Number		2016 Rents Targeted % of Area Median Income	2016 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
20	1 Bedroom	50%	50%	$819
37	2 Bedrooms	50%	42%	$833
22	3 Bedrooms	50%	50%	$1,135
9	1 Bedroom	60%	54%	$887
7	2 Bedrooms	60%	42%	$833
21	3 Bedrooms	60%	51%	$1,167
2	1 Bedroom	60%	54%	$887
6	2 Bedrooms	60%	42%	$833
4	3 Bedrooms	60%	51%	$1,167
2	3 Bedrooms	Manager’s Unit	Manager’s Unit	$0
1	1 Bedroom	Market Rate Unit	Market Rate Unit	$863
2	2 Bedrooms	Market Rate Unit	Market Rate Unit	$805
7	3 Bedrooms	Market Rate Unit	Market Rate Unit	$1,138

Project Cost Summary at Application

Land and Acquisition	$44,571,495
Construction Costs	$3,385,353
Rehabilitation Costs	$8,081,363
Construction Contingency	$1,753,233
Relocation	$1,624,502
Architectural/Engineering	$302,000
Const. Interest, Perm. Financing	$2,399,650
Legal Fees, Appraisals	$115,000
Reserves	$1,408,000
Other Costs	$1,359,736
Developer Fee	$8,778,100
Commercial Costs	$0
Total	**$73,778,432**

Project Financing

Estimated Total Project Cost:	$73,778,432
Estimated Residential Project Cost:	$73,778,432
Estimated Commercial Project Cost:	$0

Residential

Construction Cost Per Square Foot:	$91
Per Unit Cost:	$526,989
True Cash Per Unit Cost*:	$346,717

Construction Financing

Source	Amount
Umpqua Bank	$41,000,000
Seller Carryback Note	$19,239,883
NOI during Operations	$138,000
General Partner Note	$1,786,000
General Partner Capital Contribution	$100
Deferred Costs During Construction	$3,565,349
Deferred Developer Fee	$5,998,100
Tax Credit Equity	$2,051,000

Permanent Financing

Source	Amount
Walker & Dunlop	$24,078,000
Seller Carryback Note	$19,239,883
NOI during Operations	$138,000
General Partner Note	$1,786,000
General Partner Capital Contribution	$100
Deferred Developer Fee	$5,998,100
Tax Credit Equity	$22,538,349
TOTAL	**$73,778,432**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$19,343,967
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$47,955,000
Applicable Fraction:	92.75%
Qualified Basis (Rehabilitation):	$23,324,899
Qualified Basis (Acquisition):	$44,480,000
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$724,301
Maximum Annual Federal Credit, Acquisition:	$1,445,600
Total Maximum Annual Federal Credit:	$2,169,901
Approved Developer Fee (in Project Cost & Eligible Basis):	$8,778,100
Investor/Consultant:	California Housing Partnership Corp.
Federal Tax Credit Factor:	$1.03868

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:	$67,298,967
Actual Eligible Basis:	$67,298,967
Unadjusted Threshold Basis Limit:	$45,663,232
Total Adjusted Threshold Basis Limit:	$71,698,603

Adjustments to Basis Limit

Local Development Impact Fees

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income Units are Income Targeted between 50% AMI & 36% AMI: 57%

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

The applicant requested and has been granted a partial waiver to the requirements under TCAC Regulation Section 10325(f)(7)(K) due to excessive expensiveness. The project shall comply with the requirement to provide 10% mobility accessible units and 4% communications accessible units in conformance with Chapter 11(B) and ensure accessible paths of travel between these accessible units and project facilities and amenities, but the project need not make improvements to units in excess of these fully accessible units or to paths of travel only affecting the non-accessible units.

Local Reviewing Agency

The Local Reviewing Agency, the City of Napa, 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
$2,169,901	**$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 TCAC:

- Contract with a full time equivalent bona fide service coordinator / social worker

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 rehabilitation 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 (HERS II) post rehabilitation.