CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
December 14, 2016

Harbor Park Apartments, located at 969 Porter Street in Vallejo, requested and is being recommended for a reservation of $441,459 in annual federal tax credits to finance the acquisition and rehabilitation of 73 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Klein Financial Corporation and is located in Senate District 2 and Assembly District 7.

Project Number CA-16-991

Project Name Harbor Park Apartments

Site Address:	969 Porter Street		
	Vallejo, CA 94590	County:	Solano
Census Tract:	2507.020		

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$441,459	$0
Recommended:	$441,459	$0

Applicant Information

Applicant:	Harbor Park Apartments, LP
Contact:	Alan Bogomilsky
Address:	550 S. California Ave., Suite 330 Palo Alto, CA 94306
Phone:	(650) 833-0100
Email:	Alan@klein-financial.com

General Partner(s) or Principal Owner(s):	Vallejo Apartments, GP LLC Casa Major, Inc Harbor Park Appartments, LLC
General Partner Type:	Joint Venture
Parent Company(ies):	Klein Financial Corporation Casa Major, Inc Klein Financial Corporation
Developer:	Klein Financial Corporation
Investor/Consultant:	Klein Financial Corporation
Management Agent:	Alliance Residential Company

Project Information

Construction Type:	Acquistion & Rehabilitation	
Total # Residential Buildings:	11	
Total # of Units:	182	
No. & % of Tax Credit Units:	73	40.56%
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: 54

Bond Information

Issuer:	California Statewide Communities Development Authority
Expected Date of Issuance:	November 30, 2016
Credit Enhancement:	N/A

Information

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

Unit Mix

1	1-Bedroom Units
85	2-Bedroom Units
96	3-Bedroom Units
182	Total Units

Unit Type & Number		2016 Rents Targeted % of Area Median Income	2016 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
9	2 Bedrooms	50%	50%	$873
10	3 Bedrooms	50%	50%	$1,009
26	2 Bedrooms	60%	60%	$1,048
28	3 Bedrooms	60%	60%	$1,211
2	3 Bedrooms	Manager's Unit	Manager's Unit	$1,885
1	1 Bedroom	Market Rate Unit	Market Rate Unit	$1,600
49	2 Bedrooms	Market Rate Unit	Market Rate Unit	$1,610
1	2 Bedrooms	Market Rate Unit	Market Rate Unit	$2,100
12	3 Bedrooms	Market Rate Unit	Market Rate Unit	$1,885
42	3 Bedrooms	Market Rate Unit	Market Rate Unit	$2,110
1	3 Bedrooms	Market Rate Unit	Market Rate Unit	$2,600
1	3 Bedrooms	Market Rate Unit	Market Rate Unit	$2,800

Project Cost Summary at Application

Land and Acquisition	$28,100,000
Construction Costs	$0
Rehabilitation Costs	$3,697,133
Construction Contingency	$178,606
Relocation	$175,000
Architectural/Engineering	$71,443
Const. Interest, Perm. Financing	$2,251,165
Legal Fees, Appraisals	$407,000
Reserves	$748,835
Other Costs	$485,408
Developer Fee	$4,323,327
Commercial Costs	$0
Total	**$40,437,917**

Project Financing

Estimated Total Project Cost:	$40,437,917
Estimated Residential Project Cost:	$40,437,917
Estimated Commercial Project Cost:	$0

Residential

Construction Cost Per Square Foot:	$16
Per Unit Cost:	$222,186
True Cash Per Unit Cost*:	$212,168

Construction Financing

Source	Amount
Deutesche Bank	$30,994,000
Developer Equity	$5,611,408
Tax Credit Equity	$4,414,590

Permanent Financing

Source	Amount
Deutsche Bank	$34,200,000
Deferred Developer Fee	$1,823,327
Tax Credit Equity	$4,414,590
TOTAL	**$40,437,917**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$5,872,851
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	$28,233,327
Applicable Fraction:	40.41%
Qualified Basis (Rehabilitation):	$2,373,199
Qualified Basis (Acquisition):	$11,408,989
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$70,667
Maximum Annual Federal Credit, Acquisition:	$370,792
Total Maximum Annual Federal Credit:	$441,459
Approved Developer Fee (in Project Cost & Eligible Basis):	$4,323,327
Investor/Consultant:	Klein Financial Corporation
Federal Tax Credit Factor:	$1.00000

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:	$34,106,178
Actual Eligible Basis:	$34,106,178
Unadjusted Threshold Basis Limit:	$63,447,536
Total Adjusted Threshold Basis Limit:	$69,792,290

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 3.25% 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 has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

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
$441,459	**$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 rehabilitation project commits to include photovoltaic (PV) generation that offsets tenant loads.
- The project commits to having at least 1 building subject to a policy developed by the owner that prohibits smoking in contiguous designated units.