CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
July 19, 2017

Vineyard Gardens Apartments, located at 161 W. Stroube Street in Oxnard, requested and is being recommended for a reservation of $345,562 in annual federal tax credits to finance the acquisition and rehabilitation of 61 units of housing serving large families with rents affordable to households earning 30-50% of area median income (AMI). The project will be developed by Highridge Costa Housing Partners, LLC and is located in Senate District 19 and Assembly District 37.

Vineyard Gardens Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Vinyard Gardens Apartments (CA-97-231). See **Special Issues/Other Significant Information** below for additional re-syndication information.

Project Number CA-17-762

Project Name Vineyard Gardens Apartments
Site Address: 161 W. Stroube Street
Oxnard, CA 93036 County: Ventura
Census Tract: 50.04

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$345,562	$0
Recommended:	$345,562	$0

Applicant Information
Applicant: Vineyard Oxnard AR, L.P.
Contact: Thomas Erickson
Address: 330 W. Victoria Street
Gardena, CA 90248
Phone: 424-258-2918 Fax: 424-258-2919
Email: thomas.erickson@housingpartners.com

General Partner(s) or Principal Owner(s): WCH Affordable XXVII, LLC
HCHP Affordable Multi-Family, LLC
General Partner Type: Joint Venture
Parent Company(ies): Western Community Housing, Inc.
Highridge Costa Housing Partners
Developer: Highridge Costa Housing Partners, LLC
Investor/Consultant: Victoria Capital, LLC
Management Agent: Western National Property Management

Project Information

Construction Type:	Acquisition & Rehabilitation	
Total # Residential Buildings:	4	
Total # of Units:	62	
No. & % of Tax Credit Units:	61	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 35% of area median income: 20

Number of Units @ or below 50% of area median income: 41

Bond Information

Issuer:	Golden State Finance Authority
Expected Date of Issuance:	September 1, 2017
Credit Enhancement:	N/A

Information

Housing Type:	Large Family
Geographic Area:	Central Coast Region
TCAC Project Analyst:	Jack Waegell

Unit Mix

32	2-Bedroom Units
30	3-Bedroom Units
62	Total Units

Unit Type & Number		2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
9	2 Bedrooms	30%	30%	$675
15	2 Bedrooms	40%	40%	$900
8	2 Bedrooms	50%	50%	$1,125
11	3 Bedrooms	30%	30%	$779
6	3 Bedrooms	40%	40%	$1,039
12	3 Bedrooms	50%	50%	$1,298
1	3 Bedrooms	Manager’s Unit	Manager’s Unit	$1,298

Projected Lifetime Rent Benefit: $42,181,260

Project Cost Summary at Application

Land and Acquisition	$9,100,000
Construction Costs	$0
Rehabilitation Costs	$1,140,000
Construction Contingency	$63,000
Relocation	$0
Architectural/Engineering	$56,800
Const. Interest, Perm. Financing	$477,495
Legal Fees, Appraisals	$137,500
Reserves	$149,039
Other Costs	$74,887
Developer Fee	$1,387,011
Commercial Costs	$0
Total	**$12,585,732**

Project Financing

Estimated Total Project Cost:	$12,585,732
Estimated Residential Project Cost:	$12,585,732
Estimated Commercial Project Cost:	$0

Residential

Construction Cost Per Square Foot:	$20
Per Unit Cost:	$202,996
True Cash Per Unit Cost*:	$128,253

Construction Financing

Source	Amount
America First Multifamily Investors, L.P.	$6,841,000
Golden State Finance Authority - Loan	$350,000
Seller Note	$3,497,692
Income from Operations	$147,330
General Partner Equity Contribution	$198,155
Deferred Costs During Construction	$1,420,728
Tax Credit Equity	$130,827

Permanent Financing

Source	Amount
America First Multifamily Investors, L.P.	$4,077,014
Golden State Finance Authority - Loan	$350,000
Seller Note	$3,497,692
Income from Operations	$147,330
General Partner Equity Contribution	$198,155
Deferred Developer Fee	$1,136,367
Tax Credit Equity	$3,179,174
TOTAL	**$12,585,732**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$1,583,253
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	$9,050,500
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$1,583,253
Qualified Basis (Acquisition):	$9,050,500
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$51,821
Maximum Annual Federal Credit, Acquisition:	$294,141
Total Maximum Annual Federal Credit:	$345,562
Approved Developer Fee (in Project Cost & Eligible Basis):	$1,387,011
Investor/Consultant:	Victoria Capital, LLC
Federal Tax Credit Factor:	$0.92000

Per Regulation Section 10327(c)(6), 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:	$10,633,753
Actual Eligible Basis:	$10,633,753
Unadjusted Threshold Basis Limit:	$20,894,720
Total Adjusted Threshold Basis Limit:	$48,266,803

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: 67%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 64%

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

Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-97-231). 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 01/01/2000 through 12/31/2014. The existing regulatory agreement expires 12/31/2054. The existing regulatory agreement income targeting is 61 units at or below an average of 40% AMI for the project overall. The newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreement(s) and any deeper targeting levels in the new regulatory agreement(s) for the duration of the new regulatory agreement(s).

This project is the resyndication of an existing tax credit project, CA-97-231, which is under a 55-year TCAC extended use agreement. The new reservation of tax credits will maintain, effectively, the same rent/income targeting as the original award of tax credits and will extend out the affordable housing restrictions to approximately year 2072.

The project is a resyndication occurring concurrently with a Transfer Event with distribution of Net Project Equity. The rehabilitation scope of work shall include all of the Short Term Work in the amount of $198,155. There is a general partner equity contribution of at least $198,155, allowing the applicant to receive eligible basis for the entire Short Term Work amount.

The applicant requested and has been granted a partial waiver to reduce the 10% mobility feature requirement under TCAC Regulation Section 10325(f)(7)(K) down to 5% of the units that are fully mobility accessible in accordance with California Building Code Chapter 11(B) with the exception of requirements that would necessitate switching the current location of the bathroom toilet and sink, flipping the current location of the bathtub and its drain, and widening an interior hallway from 36 to 42 inches. However, the project must continue to provide at least 4% of the units with communications features that meet the requirements of Chapter 11(B).

Local Reviewing Agency

The Local Reviewing Agency, the City of Oxnard, 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**
$345,562	**$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.