CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
October 18, 2017

Woods Grove Apartments, located at 850 East Leland Road in Pittsburg, requested and is being recommended for a reservation of $535,285 in annual federal tax credits to finance the acquisition and rehabilitation of 80 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Gung Ho - Woods Grove, LLC and is located in Senate District 7 and Assembly District 11.

Woods Grove Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, Woods Manor (CA-1988-068). See **Special Issues/Other Significant Information** below for additional re-syndication information.

Project Number CA-17-781

Project Name Woods Grove Apartments
Site Address: 850 East Leland Road
Pittsburg, CA 94565 County: Contra Costa
Census Tract: 3131.01

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$535,285	$0
Recommended:	$535,285	$0

Applicant Information
Applicant: Reliant - Woods Grove, LP
Contact: Caskie Collet
Address: 601 California Street, #1150
San Francisco, CA 94108
Phone: (415) 501-9602
Email: ccollet@reliantgroup.com

General Partner(s) or Principal Owner(s): Gung Ho - Woods Grove, LLC
Rainbow - Woods Grove, LLC
General Partner Type: Joint Venture
Parent Company(ies): Gung Ho Partners, LLC
Rainbow Housing Assistance Corporation
Developer: Gung Ho Partners, LLC
Investor/Consultant: R4 Capital LLC
Management Agent: Reliant Property Management, LLC

Project Information

Construction Type: Acquisition & Rehabilitation
Total # Residential Buildings: 12
Total # of Units: 80
No. & % of Tax Credit Units: 80 100.00%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: Tax-Exempt / HOME
HCD MHP Funding: No
55-Year Use/Affordability: Yes
Number of Units @ or below 50% of area median income: 11
Number of Units @ or below 60% of area median income: 69

Bond Information

Issuer: CalHFA
Expected Date of Issuance: October 25, 2017
Credit Enhancement: N/A

Information

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

Unit Mix

8 1-Bedroom Units
32 2-Bedroom Units
28 3-Bedroom Units
12 4-Bedroom Units
80 Total Units

Unit Type & Number		2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
3	1 Bedroom	60%	60%	$1,174
3	1 Bedroom	60%	60%	$1,174
2	1 Bedroom	50%	40%	$783
26	2 Bedrooms	60%	60%	$1,408
2	2 Bedrooms	60%	60%	$1,408
4	2 Bedrooms	50%	30%	$704
22	3 Bedrooms	60%	60%	$1,627
2	3 Bedrooms	60%	60%	$1,627
3	3 Bedrooms	50%	30%	$813
10	4 Bedrooms	60%	60%	$1,815
2	4 Bedrooms	50%	30%	$907
1	3 Bedrooms	60%	60%	$1,627
1	3 Bedrooms	Manager's Unit*	Manager's Unit	$1,627

*Manager unit is a 60% AMI LIHTC restricted unit.

Projected Lifetime Rent Benefit: $26,646,180

Project Cost Summary at Application

Land and Acquisition	$10,800,000
Construction Costs	$0
Rehabilitation Costs	$3,399,090
Construction Contingency	$339,909
Relocation	$26,681
Architectural/Engineering	$82,000
Const. Interest, Perm. Financing	$1,184,436
Legal Fees, Appraisals	$275,500
Reserves	$284,787
Other Costs	$249,553
Developer Fee	$1,961,057
Commercial Costs	$0
Total	**$18,603,013**

Project Financing

Estimated Total Project Cost:	$18,603,013
Estimated Residential Project Cost:	$18,603,013
Estimated Commercial Project Cost:	$0

Residential

Construction Cost Per Square Foot:	$46
Per Unit Cost:	$232,538
True Cash Per Unit Cost*:	$219,824

Construction Financing

Source	Amount
R4 Capital Funding - T.E. Bonds	$8,000,000
Reliant CAP VIII, LLC - T.E. Bonds	$3,500,000
HOME Loan (Assumed)	$800,000
Tax Credit Equity	$4,493,044

Permanent Financing

Source	Amount
R4 Capital Funding - T.E. Bonds	$8,000,000
Reliant CAP VIII, LLC - T.E. Bonds	$3,500,000
HOME Loan (Assumed)	$800,000
Deferred Developer Fee	$1,017,078
Tax Credit Equity	$5,285,935
TOTAL	**$18,603,013**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$4,790,570
130% High Cost Adjustment:	Yes
Requested Eligible Basis (Acquisition):	$10,244,200
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$6,227,741
Qualified Basis (Acquisition):	$10,244,200
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$202,348
Maximum Annual Federal Credit, Acquisition:	$332,937
Total Maximum Annual Federal Credit:	$535,285
Approved Developer Fee (in Project Cost & Eligible Basis):	$1,961,057
Investor/Consultant:	R4 Capital LLC
Federal Tax Credit Factor:	$0.98750

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:	$15,034,770
Actual Eligible Basis:	$15,034,770
Unadjusted Threshold Basis Limit:	$29,160,344
Total Adjusted Threshold Basis Limit:	$32,951,189

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: 13%

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

Pursuant to TCAC Regulation Section 10326(g)(5), management companies lacking documented experience with Section 42 requirements using the minimum scoring standards at Section 10325(c)(2)(B) shall be required to complete training as prescribed by TCAC prior to a project’s placing in service. The management company, Reliant Property Management, LLC, lacks minimum management company experience. Reliant Property Management, LLC has completed the relevant training, and the certification of completion has been received by TCAC.

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 01/01/1988 through 12/31/2002. The existing regulatory agreement expires 12/31/2017. The existing regulatory agreement income targeting is that all 80 units at or below 60% AMI. 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-1998-068, which is under a 30-year TCAC extended use agreement. The new reservation of tax credits will result in moderately deeper rent/income targeting than the original award of tax credits by targeting 11 units at 50% AMI. The affordable housing restrictions will extend out to approximately year 2072.

The project is a resyndication where the existing tax credit regulatory agreement has a remaining term of five or less years (i.e. existing regulatory agreement expires on 12/31/2017). This transaction is exempt from the Transfer Event requirement pursuant to TCAC Regulation Section 10302(qq)(vi).

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
$535,285	**$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 improve energy efficiency above the modeled energy consumption of the building(s) by a 20% decrease, based on an estimated annual energy use, in the buildings Home Energy Rating System II (HERS II) post rehabilitation.
- The project commits to having at least 1 building subject to a policy developed by the owner that prohibits smoking in contiguous designated units.