CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE
Project Staff Report
Tax-Exempt Bond Project
January 17, 2018
REVISED

The Greenery Apartments, located at 505 West Cross Street in Woodland, requested and is being recommended for a reservation of $530,055 in annual federal tax credits to finance the acquisition and rehabilitation of 94 units of housing serving tenants with rents affordable to households earning 35-50% of area median income (AMI). The project will be developed by Gung Ho - Partners, LLC and is located in Senate District 3 and Assembly District 4.

The Greenery Apartments is a re-syndication of an existing Low Income Housing Tax Credit (LIHTC) project, The Greenery Apartments (CA-2000-187). See **Resyndication and Resyndication Transfer Event** below for additional re-syndication information. The project will be receiving rental assistance in the form of HUD Section 8 Project-based Contract.

Project Number	CA-18-709	
Project Name	The Greenery Apartments	
Site Address:	505 West Cross Street	
	Woodland, CA 95695	County: Yolo
Census Tract:	110.01	

Tax Credit Amounts	**Federal/Annual**	**State/Total**
Requested:	$530,055	$0
Recommended:	$530,055	$0

Applicant Information

Applicant:	Reliant - Valley, LP
Contact:	Joseph Moreno
Address:	601 California Street, Suite 1150 San Francisco, CA 94108
Phone:	415-692-0534
Email:	jmoreno@reliantgroup.com

General Partner(s) or Principal Owner(s):	Gung Ho - Valley, LLC Rainbow Housing Assistance Corporation
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
Management Agent:	FPI Management Inc.

Project Information

Construction Type:	Acquisition & Rehabilitation	
Total # Residential Buildings:	13	
Total # of Units:	95	
No. & % of Tax Credit Units:	94	100.00%
Federal Set-Aside Elected:	40%/60%	
Federal Subsidy:	Tax-Exempt / HUD Section 8 Project-based Contract (94 units - 100%)	
HCD MHP Funding:	No	
55-Year Use/Affordability:	Yes	

Number of Units @ or below 35% of area median income: 15

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

Bond Information

Issuer: California Public Finance Authority

Expected Date of Issuance: March 22, 2018

Information

Housing Type: Non-Targeted

Geographic Area: Capital and Northern Region

TCAC Project Analyst: Diane SooHoo

Unit Mix

45 1-Bedroom Units

50 2-Bedroom Units

95 Total Units

Unit Type & Number		2017 Rents Targeted % of Area Median Income	2017 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
7	1 Bedroom	35%	36%	$505
14	1 Bedroom	40%	41%	$577
24	1 Bedroom	50%	52%	$721
8	2 Bedrooms	35%	36%	$606
15	2 Bedrooms	40%	41%	$693
26	2 Bedrooms	50%	51%	$866
1	2 Bedrooms	Manager’s Unit	Manager’s Unit	$0

TCAC-confirmed Projected Lifetime Rent Benefit: $51,969,720

Project Cost Summary at Application

Land and Acquisition	$10,125,898
Construction Costs	$0
Rehabilitation Costs	$4,188,589
Construction Contingency	$418,859
Relocation	$61,188
Architectural/Engineering	$132,000
Const. Interest, Perm. Financing	$944,343
Legal Fees, Appraisals	$61,100
Reserves	$337,790
Other Costs	$254,175
Developer Fee	$2,126,948
Commercial Costs	$0
Total	**$18,650,890**

Residential

Construction Cost Per Square Foot:	$65
Per Unit Cost:	$196,325
True Cash Per Unit Cost*:	$188,303

Construction Financing

Source	Amount
Pillar Financial - T.E. Bond	$10,400,000
Reliant CAP VIII - T.E. Bond	$1,500,000
Seller Credit	$41,074
Tax Credit Equity	$3,635,814

Permanent Financing

Source	Amount
Pillar Financial - T.E. Bond	$10,400,000
Reliant CAP VIII - T.E. Bond	$1,500,000
Seller Credit	$41,074
Income from Operations	$753,725
Deferred Developer Fee	$762,071
Tax Credit Equity	$5,194,020
TOTAL	**$18,650,890**

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

Determination of Credit Amount(s)

Requested Eligible Basis (Rehabilitation):	$5,879,634
130% High Cost Adjustment:	No
Requested Eligible Basis (Acquisition):	$10,468,039
Applicable Fraction:	100.00%
Qualified Basis (Rehabilitation):	$5,879,634
Qualified Basis (Acquisition):	$10,468,039
Applicable Rate:	3.25%
Maximum Annual Federal Credit, Rehabilitation:	$189,844
Maximum Annual Federal Credit, Acquisition:	$340,211
Total Maximum Annual Federal Credit:	$530,055
Approved Developer Fee (in Project Cost & Eligible Basis):	$2,126,948
Investor/Consultant:	R4 Capital
Federal Tax Credit Factor:	$0.97990

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:	$16,347,673
Actual Eligible Basis:	$16,347,673
Unadjusted Threshold Basis Limit:	$24,654,950
Total Adjusted Threshold Basis Limit:	$52,761,593

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: 84%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income Units are Income Targeted at 35% AMI or Below: 32%

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
This project is under a Project-based Section 8 HAP Renewal Contract. Utility Allowances are determined by HUD.

Resyndication and Resyndication Transfer Event
Prior to closing, the applicant or its assignee shall obtain TCAC's consent to assign and assume the existing Regulatory Agreement (CA-2000-187). 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 newly resyndicated project shall continue to meet the rents and income targeting levels in the existing regulatory agreement for the duration of the new regulatory agreement. Existing households determined to be income-qualified for purposes of IRC §42 credit during the 15-year compliance period are concurrently income-qualified households for purposes of the extended use agreement. As a result, any household determined to be income qualified at the time of move-in under the existing regulatory agreement (CA-2000-187) is a qualified low-income household for the subsequent allocation (existing household eligibility is "grandfathered").

The project is a resyndication where the existing regulatory agreement requires service amenities. The project shall provide a similar or greater level of services for a period of at least 15 years under the new regulatory agreement. The project is deemed to have met this requirement based on TCAC staff's review of the commitment in the application. The services documented in the placed in service package will be reviewed by TCAC staff for compliance with this requirement at the time of the placed in service submission.

The applicant requested and is approved to underwrite the project at the hold harmless rent limits based on the year in which the existing TCAC project (CA-2000-187) The Greenery Apartments was originally placed-in-service: year 2001. The new regulatory agreement shall reflect the current tax credit rent limits, while the project may continue to charge the hold harmless rents for: 15 units at or below 35% AMI, 29 units at 40% AMI, and 50 units at or below 50% AMI, provided that such hold harmless rents do not exceed the current tax credit rent limit for 60% AMI, only until such time as the current tax credit rent limits equal or exceed the hold harmless rents.

Resyndication of the project is concurrent with a Transfer Event with distribution of Net Project Equity. Rehabilitation scope of work shall include all of the Short Term Work in the amount of $34,963. In consideration of the Short Term Work requirement, the seller of the project will give a credit amount of at least $34,963. As a result of the seller credit, the project is allowed to receive eligible basis for the entire Short Term Work amount.

Local Reviewing Agency
The Local Reviewing Agency, City of Woodland, has completed a site review of this project and strongly supports this project.

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.

CDLAC Additional Conditions: None.