

**CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE**

**Project Staff Report**

**Tax-Exempt Bond Project**

**March 21, 2018**

**(REVISED)**

Blue Mountain Terrace, located at 147 East Baker Street in Winters, requested and is being recommended for a reservation of \$614,301 in annual federal tax credits to finance the new construction of 62 units of housing serving seniors with rents affordable to households earning 30-60% of area median income (AMI). The project will be developed by Domus Development, LLC and will be located in Senate District 3 and Assembly District 4.

The project will be receiving rental assistance in the form of HUD Project-based Vouchers.

|                       |                       |              |
|-----------------------|-----------------------|--------------|
| <b>Project Number</b> | CA-18-711             |              |
| <b>Project Name</b>   | Blue Mountain Terrace |              |
| Site Address:         | 147 East Baker Street |              |
|                       | Winters, CA 95694     | County: Yolo |
| Census Tract:         | 113.00                |              |

|                           |                       |                    |
|---------------------------|-----------------------|--------------------|
| <b>Tax Credit Amounts</b> | <b>Federal/Annual</b> | <b>State/Total</b> |
| Requested:                | \$614,301             | \$0                |
| Recommended:              | \$614,301             | \$0                |

**Applicant Information**

|            |  |
|------------|--|
| Applicant: | Blue Mountain Terrace Associates, L.P. |
| Contact:   | Monique Hastings                       |
| Address:   | 9 Cushing, Suite 200                   |
|            | Irvine, CA 92618                       |
| Phone:     | (949) 923-7805                         |
| Email:     | mhastings@newportpartners.com          |

|   |                                  |
|---|----------------------------------|
| General Partner(s) or Principal Owner(s): | Domus GP LLC                     |
|   | Community Resident Services, Inc |
| General Partner Type:                     | Joint Venture                    |
| Parent Company(ies):                      | Domus Development, LLC           |
|   | Community Resident Services, Inc |
| Developer:                                | Domus Development, LLC           |
| Investor/Consultant:                      | Alliant Capital                  |
| Management Agent:                         | Domus Management Company         |

**Project Information**

Construction Type: New Construction  
 Total # Residential Buildings: 1  
 Total # of Units: 63  
 No. / % of Low Income Units: 62 100.00%  
 Federal Set-Aside Elected: 40%/60%  
 Federal Subsidy: Tax-Exempt / HUD Project-based Vouchers (22 units - 35%) / HOME

**Bond Information**

Issuer: California Municipal Finance Authority  
 Expected Date of Issuance: June 21, 2018

**Information**

Housing Type: Seniors  
 Geographic Area: Capital and Northern Region  
 TCAC Project Analyst: Tiffani Negrete

**55-Year Use / Affordability**

| Aggregate Targeting<br>Number of Units |    | Percentage of<br>Affordable<br>Units |
|--|----|--------------------------------------|
| 35% AMI:                               | 22 | 35%                                  |
| 50% AMI:                               | 25 | 40%                                  |
| 60% AMI:                               | 15 | 24%                                  |

**Unit Mix**

|                    |
|--------------------|
| 58 1-Bedroom Units |
| 5 2-Bedroom Units  |
| 63 Total Units     |

| Unit Type<br>& Number |            | 2017 Rents<br>Targeted % of<br>Area Median<br>Income | 2017 Rents Actual<br>% of Area Median<br>Income | Proposed Rent<br>(including<br>utilities) |
|-----------------------|------------|--|---|---|
| 4                     | 1 Bedroom  | 25%  | 25%   | \$350                                     |
| 14                    | 1 Bedroom  | 30%  | 30%   | \$420                                     |
| 2                     | 1 Bedroom  | 30%  | 30%   | \$420                                     |
| 7                     | 1 Bedroom  | 40%  | 40%   | \$560                                     |
| 16                    | 1 Bedroom  | 50%  | 50%   | \$700                                     |
| 13                    | 1 Bedroom  | 60%  | 60%   | \$840                                     |
| 2                     | 1 Bedroom  | 60%  | 60%   | \$840                                     |
| 2                     | 2 Bedrooms | 30%  | 30%   | \$504                                     |
| 2                     | 2 Bedrooms | 50%  | 50%   | \$841                                     |
| 1                     | 2 Bedrooms | Manager's Unit                                       | Manager's Unit                                  | \$0                                       |

TCAC-confirmed Projected Lifetime Rent Benefit: \$26,873,880

**Project Cost Summary at Application**

|                                  |                     |
|----------------------------------|---------------------|
| Land and Acquisition             | \$347,200           |
| Construction Costs               | \$12,998,361        |
| Rehabilitation Costs             | \$0                 |
| Construction Contingency         | \$649,919           |
| Relocation                       | \$0                 |
| Architectural/Engineering        | \$680,742           |
| Const. Interest, Perm. Financing | \$1,003,206         |
| Legal Fees, Appraisals           | \$120,000           |
| Reserves                         | \$429,430           |
| Other Costs                      | \$1,535,798         |
| Developer Fee                    | \$2,450,344         |
| Commercial Costs                 | \$0                 |
| <b>Total</b>                     | <b>\$20,215,000</b> |

**Residential**

|                                    |           |
|------------------------------------|-----------|
| Construction Cost Per Square Foot: | \$290     |
| Per Unit Cost:                     | \$320,873 |
| True Cash Per Unit Cost*:          | \$292,105 |

**Construction Financing**

| Source                           | Amount       |
|----------------------------------|--------------|
| Bank of America - Tax-Exempt     | \$10,500,000 |
| City of Winters                  | \$1,243,497  |
| HCD - HOME                       | \$2,173,572  |
| HCD - IIG                        | \$2,000,000  |
| Affordable Housing Program (AHP) | \$900,000    |
| Deferred Costs                   | \$2,554,212  |
| Tax Credit Equity                | \$843,719    |

**Permanent Financing**

| Source                           | Amount              |
|----------------------------------|---------------------|
| Bank of America - Taxable Bonds  | \$2,100,000         |
| City of Winters                  | \$1,243,497         |
| HCD - HOME                       | \$2,415,080         |
| HCD - IIG                        | \$2,000,000         |
| HCD - MHP                        | \$3,435,934         |
| Affordable Housing Program (AHP) | \$1,000,000         |
| Deferred Developer Fee           | \$1,812,362         |
| General Partner Equity           | \$300,000           |
| Tax Credit Equity                | \$5,908,127         |
| <b>TOTAL</b>                     | <b>\$20,215,000</b> |

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

**Determination of Credit Amount(s)**

|  |                 |
|--|-----------------|
| Requested Eligible Basis:                                  | \$18,785,974    |
| 130% High Cost Adjustment:                                 | No              |
| Applicable Fraction:                                       | 100.00%         |
| Qualified Basis:   | \$18,785,974    |
| Applicable Rate:   | 3.27%           |
| Total Maximum Annual Federal Credit:                       | \$614,301       |
| Approved Developer Fee (in Project Cost & Eligible Basis): | \$2,450,344     |
| Investor/Consultant:                                       | Alliant Capital |
| Federal Tax Credit Factor:                                 | \$0.96176       |

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:  | \$18,785,974 |
| Actual Eligible Basis:                | \$18,785,974 |
| Unadjusted Threshold Basis Limit:     | \$16,434,164 |
| Total Adjusted Threshold Basis Limit: | \$36,155,160 |

#### **Adjustments to Basis Limit**

95% of Upper Floor Units are Elevator-Serviced

55-Year Use/Affordability Restriction – 1% for Each 1% of Low-Income and Market Rate Units are Income Targeted between 50% AMI & 36% AMI: 40%

55-Year Use/Affordability Restriction – 2% for Each 1% of Low-Income and Market Rate Units are Income Targeted at 35% AMI or Below: 70%

#### **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 3.27% 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.

**Significant Information / Additional Conditions.** None.

#### **Local Reviewing Agency**

The Local Reviewing Agency, the City of Winters, 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**

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 project commits to a parking ratio equivalent of 1 parking stall or less per SRO and 1-bedroom restricted rental units, and 1.5 parking stall or less per 2-bedroom and larger restricted rental units.