

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

Wasco Farmworker Housing Project Phase II, located at the corner Poplar Avenue and Margalo Street in Wasco, requested and is being recommended for a reservation of \$899,537 in annual federal tax credits to finance the new construction of 134 units of housing serving large families with rents affordable to households earning 50-60% AMI of area median income (AMI). The project will be developed by Wasco Affordable Housing and will be located in Senate District 16 and Assembly District 32.

The project will be receiving rental assistance in the form of USDA RHS 521 Rental Assistance. The project financing includes state funding from the AHSC program of HCD.

Project Number CA-16-985

Project Name Wasco Farmworker Housing Project Phase II
 Site Address: Corner of Poplar Avenue and Margalo Street
 Wasco, CA 93280 County: Kern
 Census Tract: 43.010

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$899,537	\$0
Recommended:	\$899,537	\$0

Applicant Information

Applicant: Housing Authority of the County of Kern
 Contact: Stephen Pelz
 Address: 601 24th Street
 Bakersfield, CA 93301
 Phone: 661-631-8500
 Email: spelz@kernha.org

General Partner(s) or Principal Owner(s): Housing Authority of the County of Kern
 Wasco Affordable Housing, Inc.
 General Partner Type: Nonprofit
 Parent Company(ies): Housing Authority of the County of Kern
 Wasco Affordable Housing, Inc.
 Developer: Wasco Affordable Housing, Inc.
 Investor/Consultant: PNC Equity
 Management Agent: Housing Authority County of Kern

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 58
 Total # of Units: 160
 No. & % of Tax Credit Units: 134 84.28%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax Exempt / High Speed Rail / USDA RHS 521 (20% - 32 Units)
 HCD MHP Funding: No
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 106
 Number of Units @ or below 60% of area median income: 28

Bond Information

Issuer: Housing Authority of the County of Kern
 Expected Date of Issuance: March 20, 2017
 Credit Enhancement: N/A

Information

Housing Type: Large Family
 Geographic Area: Central Valley Region
 TCAC Project Analyst: Alex Ninh

Unit Mix

21 1-Bedroom Units
 26 2-Bedroom Units
 103 3-Bedroom Units
 10 4-Bedroom Units

 160 Total Units

<u>Unit Type & Number</u>	<u>2016 Rents Targeted % of Area Median Income</u>	<u>2016 Rents Actual % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
3 1 Bedroom	50%	30%	\$331
9 1 Bedroom	50%	33%	\$361
2 1 Bedroom	60%	33%	\$361
13 2 Bedrooms	50%	30%	\$404
5 2 Bedrooms	60%	30%	\$404
45 3 Bedrooms	50%	30%	\$452
17 3 Bedrooms	60%	30%	\$452
4 4 Bedrooms	50%	29%	\$488
4 4 Bedrooms	60%	29%	\$488
5 1 Bedroom	50%	30%	\$331
5 2 Bedrooms	50%	30%	\$404
20 3 Bedrooms	50%	30%	\$452
2 4 Bedrooms	50%	29%	\$488
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0
1 1 Bedroom	Market Rate Unit	Market Rate Unit	\$325
1 1 Bedroom	Market Rate Unit	Market Rate Unit	\$564
1 2 Bedrooms	Market Rate Unit	Market Rate Unit	\$355
1 2 Bedrooms	Market Rate Unit	Market Rate Unit	\$671
7 3 Bedrooms	Market Rate Unit	Market Rate Unit	\$395
14 3 Bedrooms	Market Rate Unit	Market Rate Unit	\$743

Project Cost Summary at Application

Land and Acquisition	\$825,857
Construction Costs	\$28,000,000
Rehabilitation Costs	\$0
Construction Contingency	\$1,417,699
Relocation	\$0
Architectural/Engineering	\$743,364
Const. Interest, Perm. Financing	\$1,070,918
Legal Fees, Appraisals	\$215,000
Reserves	\$235,000
Other Costs	\$721,402
Developer Fee	\$1,200,000
Commercial Costs	\$0
Total	\$34,429,240

Project Financing

Estimated Total Project Cost:	\$34,429,240
Estimated Residential Project Cost:	\$34,429,240
Estimated Commercial Project Cost:	\$0

Residential

Construction Cost Per Square Foot:	\$178
Per Unit Cost:	\$215,183
True Cash Per Unit Cost*:	\$210,463

Construction Financing

Source	Amount
US Bank	\$25,000,000
High Speed Rail Funds	\$6,750,000
City of Wasco Land Donation	\$250,501
Deferred Costs	\$1,116,895
Tax Credit Equity	\$1,311,844

Permanent Financing

Source	Amount
HCD - AHSC	\$18,108,667
High Speed Rail Funds	\$6,750,000
City of Wasco Land Donation	\$250,501
Deferred Developer Fee	\$504,609
Tax Credit Equity	\$8,815,463
TOTAL	\$34,429,240

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

Determination of Credit Amount(s)

Requested Eligible Basis:	\$33,166,939
130% High Cost Adjustment:	No
Applicable Fraction:	83.45%
Qualified Basis:	\$27,678,046
Applicable Rate:	3.25%
Total Maximum Annual Federal Credit:	\$899,537
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,200,000
Investor/Consultant:	PNC Equity
Federal Tax Credit Factor:	\$0.98000

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:	\$33,166,939
Actual Eligible Basis:	\$33,166,939
Unadjusted Threshold Basis Limit:	\$51,394,843
Total Adjusted Threshold Basis Limit:	\$85,315,439

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: 66%

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
\$899,537	\$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 provide the tenants with the following service amenities free of charge for a minimum of fifteen (15) years in accordance with the bond allocation from CDLAC. These services may be changed to meet the needs of the tenants upon prior approval from CDLAC and written notification to TCAC:

- For a period of fifteen (15) years after the Project is placed in use, the Project will offer to Project residents 20 hours or more per week of licensed childcare on-site or there must be 20 hours or more per week of licensed childcare available to Project residents within 1/2 mile of the Project.

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 become certified under the Green Point Rated Multifamily Guidelines for New Construction projects upon completion.
- The project commits to having at least 1 building subject to a policy developed by the owner that prohibits smoking in contiguous designated units.