

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

Tax-Exempt Bond Project

March 15, 2017

Oak Creek Family Apartments, located at 51 Carol Lane in Oakley, requested and is being recommended for a reservation of \$818,528 in annual federal tax credits to finance the new construction of 74 units of housing serving tenants with rents affordable to households earning 50-60% of area median income (AMI). The project will be developed by Corporation for Better Housing and will be located in Senate District 7 and Assembly District 11.

The project financing includes state funding from CalHFA.

Project Number CA-17-711

Project Name Oak Creek Family Apartments
Site Address: 51 Carol Lane
Oakley, CA 94561 County: Contra Costa
Census Tract: 3020.050

| Tax Credit Amounts | Federal/Annual | State/Total |
|---------------------------|-----------------------|--------------------|
| Requested: | \$818,528 | \$0 |
| Recommended: | \$818,528 | \$0 |

Applicant Information

Applicant: 51 Carol Ln., L.P.
Contact: Lori Koester
Address: 21031 Ventura Blvd., Suite 200
Woodland Hills, CA 91364
Phone: 818-905-2430 **Fax:** 818-905-2440
Email: lkoester@corpoffices.org

General Partner(s) or Principal Owner(s): Corporation for Better Housing
Integrated Community Development
General Partner Type: Joint Venture
Parent Company(ies): Corporation for Better Housing
Integrated Community Development
Developer: Corporation for Better Housing
Investor/Consultant: Alliant Capital, Ltd.
Management Agent: Domus Management Co.

Project Information

Construction Type: New Construction
 Total # Residential Buildings: 2
 Total # of Units: 75
 No. & % of Tax Credit Units: 74 100.00%
 Federal Set-Aside Elected: 40%/60%
 Federal Subsidy: Tax-Exempt
 HCD MHP Funding: No
 Utility Allowance: CUAC
 55-Year Use/Affordability: Yes
 Number of Units @ or below 50% of area median income: 8
 Number of Units @ or below 60% of area median income: 66

Bond Information

Issuer: California Housing Finance Agency
 Expected Date of Issuance: June 1, 2017
 Credit Enhancement: N/A

Information

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

Unit Mix

30 1-Bedroom Units
 27 2-Bedroom Units
 18 3-Bedroom Units

 75 Total Units

| Unit Type & Number | 2016 Rents Targeted % of Area Median Income | 2016 Rents Actual % of Area Median Income | Proposed Rent (including utilities) |
|-------------------------------|--|--|--|
| 3 1 Bedroom | 50% | 50% | \$914 |
| 27 1 Bedroom | 60% | 60% | \$1,097 |
| 3 2 Bedrooms | 50% | 50% | \$1,097 |
| 23 2 Bedrooms | 60% | 60% | \$1,317 |
| 2 3 Bedrooms | 50% | 50% | \$1,267 |
| 16 3 Bedrooms | 60% | 60% | \$1,521 |
| 1 2 Bedrooms | Manager's Unit | Manager's Unit | \$0 |

Projected Lifetime Rent Benefit: \$34,245,420

Project Cost Summary at Application

| | |
|----------------------------------|---------------------|
| Land and Acquisition | \$2,050,000 |
| Construction Costs | \$12,148,105 |
| Rehabilitation Costs | \$0 |
| Construction Contingency | \$607,406 |
| Relocation | \$0 |
| Architectural/Engineering | \$433,125 |
| Const. Interest, Perm. Financing | \$1,260,093 |
| Legal Fees, Appraisals | \$155,000 |
| Reserves | \$319,530 |
| Other Costs | \$3,703,389 |
| Developer Fee | \$2,525,000 |
| Commercial Costs | \$0 |
| Total | \$23,201,648 |

Project Financing

| | |
|-------------------------------------|--------------|
| Estimated Total Project Cost: | \$23,201,648 |
| Estimated Residential Project Cost: | \$23,201,648 |
| Estimated Commercial Project Cost: | \$0 |

Residential

| | |
|------------------------------------|-----------|
| Construction Cost Per Square Foot: | \$206 |
| Per Unit Cost: | \$309,355 |
| True Cash Per Unit Cost*: | \$257,963 |

Construction Financing

| Source | Amount |
|-----------------------------|--------------|
| Mechanics Bank - T.E. Bonds | \$17,885,000 |
| Seller Carry Back | \$2,050,000 |
| Tax Credit Equity | \$814,720 |

Permanent Financing

| Source | Amount |
|-----------------------------------|---------------------|
| California Housing Finance Agency | \$9,700,000 |
| California Housing Finance Agency | \$1,500,000 |
| Sellercarry Back | \$2,050,000 |
| Deferred Developer Fee | \$1,804,449 |
| Solar Tax Credit Equity | \$579,375 |
| Tax Credit Equity | \$7,567,824 |
| TOTAL | \$23,201,648 |

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

Determination of Credit Amount(s)

| | |
|--|-----------------------|
| Requested Eligible Basis: | \$19,553,932 |
| 130% High Cost Adjustment: | Yes |
| Applicable Fraction: | 100.00% |
| Qualified Basis: | \$25,420,112 |
| Applicable Rate: | 3.22% |
| Total Maximum Annual Federal Credit: | \$818,528 |
| Approved Developer Fee (in Project Cost & Eligible Basis): | \$2,525,000 |
| Investor/Consultant: | Alliant Capital, Ltd. |
| Federal Tax Credit Factor: | \$0.92457 |

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: | \$19,553,932 |
| Actual Eligible Basis: | \$19,553,932 |
| Unadjusted Threshold Basis Limit: | \$23,851,356 |
| Total Adjusted Threshold Basis Limit: | \$26,236,492 |

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: 10%

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 are below the minimum operating expenses established in the Regulations (See Below, Special Issues/Other Significant Information). The project pro forma shows a positive cash flow from year one and staff has calculated federal tax credits based on 3.22% 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’s annual per unit operating expense total is below the TCAC published per unit operating expense minimum of \$5,700. As allowed by TCAC Regulation Section 10327(g)(1), TCAC approves an annual per unit operating expense total of \$5,000 in agreement with the permanent lender and equity investor.

Local Reviewing Agency

The Local Reviewing Agency, City of Oakley, 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 |
| \$818,528 | \$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.